COMCAST BUSINESS

Financial Services Firms Accelerate Digital-First Business

Part of the Driving Digital Agility content series: Insights and strategies to pivot to digital business, navigate new work environments, and manage changing customer expectations.

Although some aspects of the financial services industry ground to a halt as the COVID-19 pandemic rolled across the world, the industry overall has seen an uptick in demand for digital-only services.

Consumers, whether starting to venture out or continuing to stay at home, are still spending money, showing that marketplaces can survive without the need for a physical location. Much like restaurants, hotels, and entertainment vendors, financial firms must embrace a significant shift in the way their business models run in the future.

More than ever, businesses must meet the ever-increasing consumer demands for digital options. With the diminished number of in-person interactions, businesses are relying more heavily than ever on digital tools to survive and adapt. The workplace and customer service shifts caused by COVID-19 have accelerated trends in digitization. In many cases, in order to remain operational, businesses must embrace digital transformation as they've never done before.

This means big challenges for the financial services industry, as finance firms must quickly transform to accommodate the way consumers are now choosing to do their business and pay their bills.

The Status Quo of Financial Services

COVID-19 brought to the forefront several realities that financial services business and technology leaders must face:

Accelerating Adoption of Evolving Technologies

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— Ian Stuttard, Head of Product and Innovation, North America, Elavon, Inc.

COVID-19 has forced consumers and service providers in the U.S. to leverage technology that's been available but perhaps not considered a must-have until now.

For instance, biometrics such as fingerprints, facial recognition, and ocular scans are being used to eliminate the need to exchange credit cards during transactions. Mobile payment options from personal devices offer the security of pre-screened information so consumers don't need to enter credit card information or security codes at POS sites.

"We're already seeing some acceleration in the ways that consumers interact in the payment flow," said Ian Stuttard, Head of Product and Innovation, North America, Elavon, Inc., during a recent webinar. "Rather than interacting with a device they are not familiar with, there will be an increasing push to create payment experiences on devices that belong to them."

The Digital Divide is More Visible

"Bandwidth is critical. There are a lot of efforts to make sure there are plenty of pipes, and fast fibers to make sure people and merchants have the connectivity they need for smooth transactions."

— Larry K. Williams, President and CEO of the Technology Association of Georgia (TAG)

Closed storefronts and banking centers have resulted in a huge search of online transactions. The transition to an almost exclusively online experience has exposed the fact that there still are many populations in rural America—and even some urban areas—without the infrastructure to support an exclusively online marketplace.

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As the need for more bandwidth, better security, and reliability increases, expect technologies such as SD-WAN (Software-Defined Wide Area Network) that allow networks to work faster and more autonomously to proliferate. A technology that is already projected to grow by 30% annually, SD-WAN will gradually replace or supplement slower MPLS networks as organizations look to improve networks to enhance employee productivity, improve customer experiences, automate and streamline network management, and cut costs.

Individual Responsibility for Security Increases

Consumers have long relied on the financial services industry to ensure the safety and security of their information. Still, some experts say there needs to be more responsibility on all levels to minimize and mitigate threats. Financial services organizations must educate customers to take a bigger individual role in the security of their online presence, by learning the importance of strong passwords, updating the software on personal devices regularly, and making sure they trust those using their personal networks.

Automated Technologies Rule the Financial Future

Technology will in many ways replace the human element in a contactless world where pens are no longer handed out to sign a receipt and face-to-face consultations are no longer needed to open a checking account. For financial service organizations, that means increasingly turning to technology to help boost engagement and verify customer identification, while also advocating for policies that make it easier to adopt emerging technologies.

Policy Changes Will Drive Technology Innovation

The adoption of digital financial technology has been inhibited by policies that require human intervention. Gone may be the days of the handwritten signature, replaced by biometric sensors in smartphones or facial recognition technologies. Governments in Europe are already taking steps toward making transactions such as car buying and real estate purchases more digital and less reliant on human interaction by recognizing e-notary processes to confirm identities.

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Automation Technologies Will Take Center Stage

Artificial intelligence (AI) and machine learning technologies were taking root in financial services well ahead of COVID-19. In 2018, an estimated 2.5 million financial services jobs in the U.S. were directly impacted by AI, according to the Comcast Business whitepaper, "**Digital Transformation 2.0: AI in Banking**," and by 2035, AI will add more than $1.2 trillion in value to the financial industry.

As financial transactions shift online, technologies such as blockchain will make transactions more secure. AI applications such as chatbots will become more self-aware and able to take on more tasks. As it evolves, AI will be used to secure e-commerce transactions by identifying unusual spending patterns, using multiple data points, or reducing the number of times a transaction is declined before it is red-flagged.

Friction Will Have No Place in the Financial World

Service providers will be under pressure to make transactions as "frictionless" as possible, requiring far fewer touch points to get to the final transaction. One-click transactions will become more widespread, perhaps even when buying a car or home, and sensitive transactions will leverage biometrics to confirm customer identity and reduce fraud.

Meeting the Challenges of a New Financial Landscape

As the world emerges from the restrictions of COVID-19, financial services firms must be prepared to serve a cautious consumer base that is ready to execute more transactions but unsure of how to do so safely. Consumers have gotten used to methods of shopping and bill paying that don't require them to reach for their plastic or physically confirm their identity.

This digital business reality has been on the horizon for some time — the COVID pandemic has merely quickened the pace of change. The technology is in place to meet this demand—it's now up to the financial services industry to implement it.

For more information on how businesses can use technology to navigate new work environments and expectations, explore the rest of our "Driving Digital Agility" blog series.

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