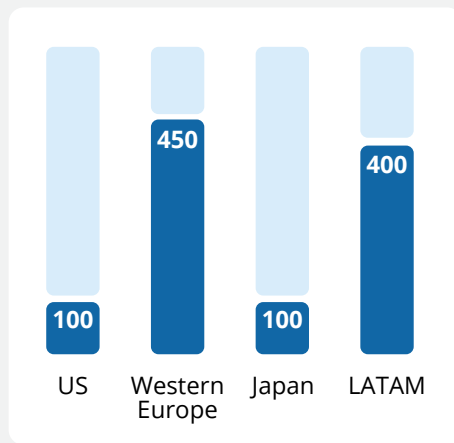


## IDC FSI BAROMETER SURVEY

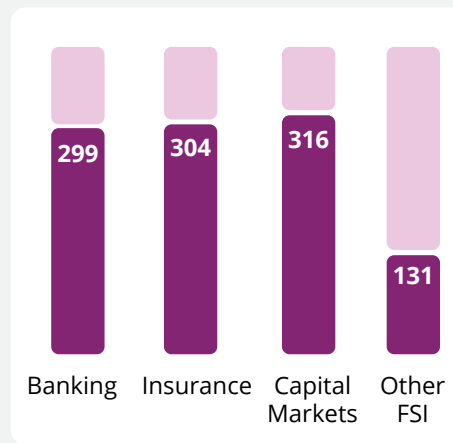
### Demographics

In June 2018, IDC undertook a primary research with 1050 FSIs in the United States, Western Europe, Japan and Latin America (LATAM). The research covered small, medium and large sized organizations in the Capital Markets, Banking, Insurance, Wealth and Pensions sectors.

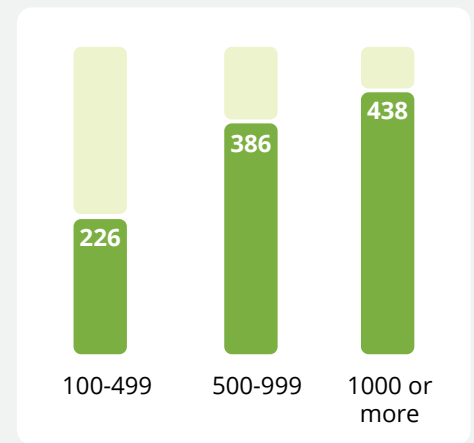
#### Region



#### FSI Type



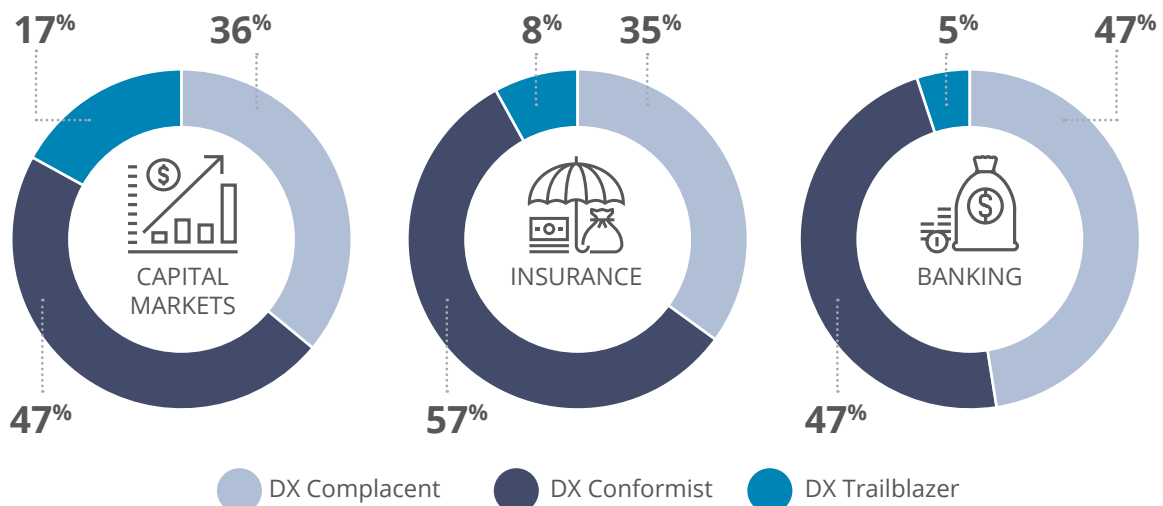
#### Company Size



## ANALYSIS OF FSI DECISION MAKER SURVEY FINDINGS

### DX Adoption Trends

#### DX Progress by FSI sub-industry



### Sub-industry variations in DX progress

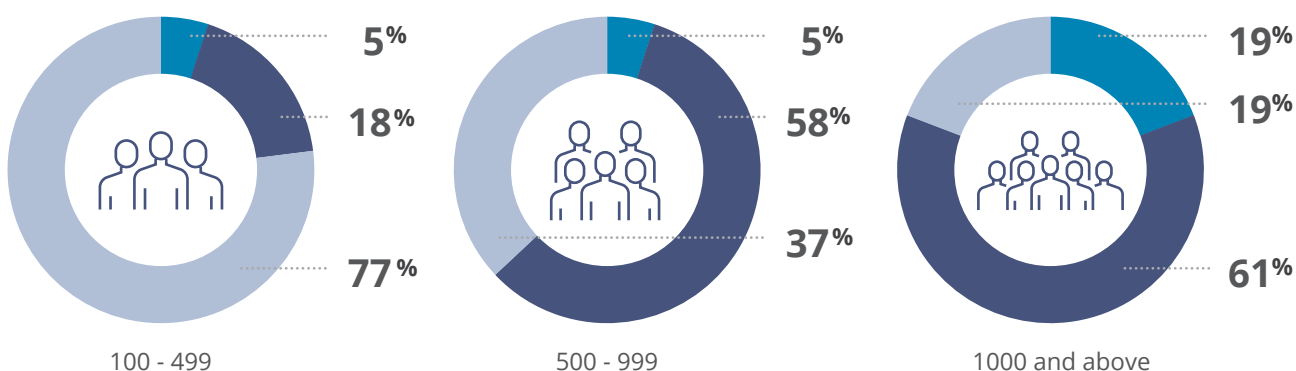
**Capital Markets:** Having faced considerable regulatory scrutiny and competition from new digital players, leading investment banks focused on driving data analytics, architectural modernization and connectivity to the digital ecosystem. These steps helped more organizations in the sector to be very advanced in DX. There is a better representation of DX Trailblazers in this sector compared to Banking and Insurance.

**Retail/Corporate Banks:** The banking industry has been the slowest of all the financial services sectors to embrace digital. Stringent regulations, legacy baggage and organizational resistance to change have contributed to this. There are many DX Complacent organizations in Banking compared to other financial services sub industries. The sector needs to catch up in their DX efforts urgently to avoid customer frustration and stay relevant.

### Variations in DX progress by size of FSIs

According to the survey, FSIs across regions and industries believe that the impact of DX on organizational growth is high. However, the responses indicate that smaller the organization, the less advanced it is in its DX journey. Many have not fully bought in on the impact of DX on their business. Small FSIs are more conservative possibly linked to a lack of expert teams dedicated to digital transformation initiatives. Majority of small FSIs are DX Complacent as a result. The study shows an urgent needs for small and medium sized financial institutions to invest more in digital technology or risk falling behind in a challenging market place.

DX Progress by size of FSIs

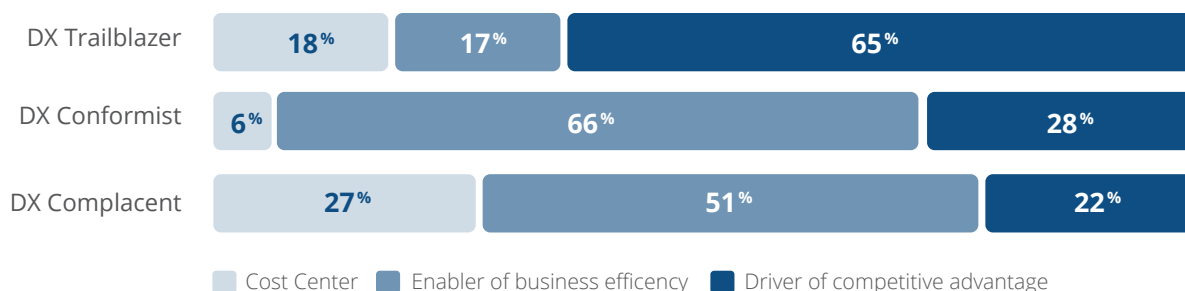


## DX Strategy for Success

Majority of DX Trailblazers perceive IT as a driver of competitive advantage. Although CIOs are primary drivers of DX in these organizations, CEOs and Boards of Directors engage Lines of Business from outset. Lines of Business share responsibility for change.

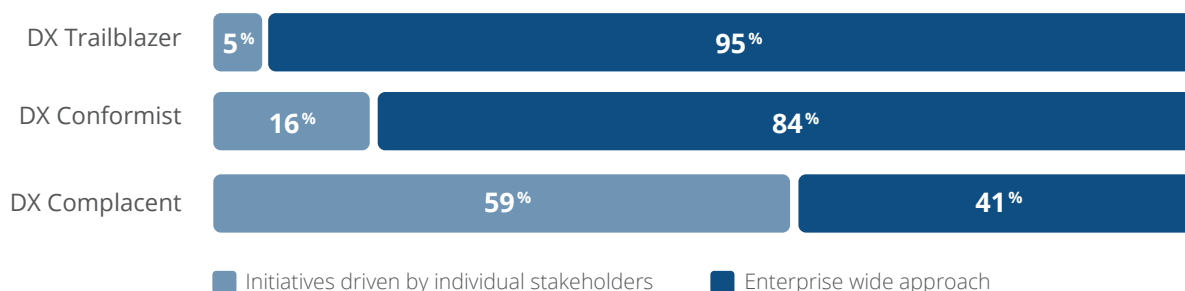
A fundamental problem in DX is that there are many digital strategies taking place in one organization. Organizations either run digital initiatives as stand-alone or run multiple digital strategies depending on the line of business. Many FSIs run digital strategies that are focused on short term outcomes. Such an approach makes it difficult to accomplish a major transformation when one's efforts are divided.

### IT's role (as viewed by business) in DX



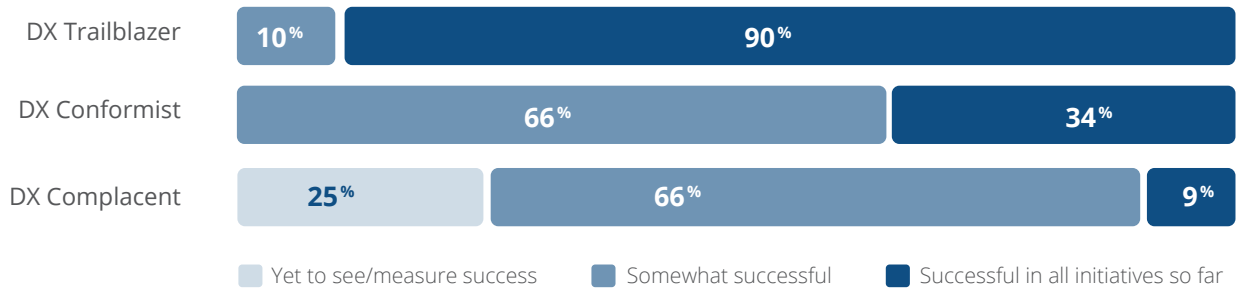
DX Trailblazers follow an integrated strategy. They develop and implement a plan to integrate DX initiatives and programs into the existing culture — inside and out — including organizational changes, new digital roles, funding, talent management, operations, and information requirements. They restructure the "people" parts of the business — process, structure, skill sets, incentives, roles, and communications — to optimize its ability to improve in DX. The strategy would include steps to incorporate next-generation changes/threats and developments in DX.

### Current or planned approach to DX



A forward-looking approach and integrated strategy is helping DX Trailblazers achieve success in most of their digital initiatives compared to DX Conformist and DX Complacent FSIs

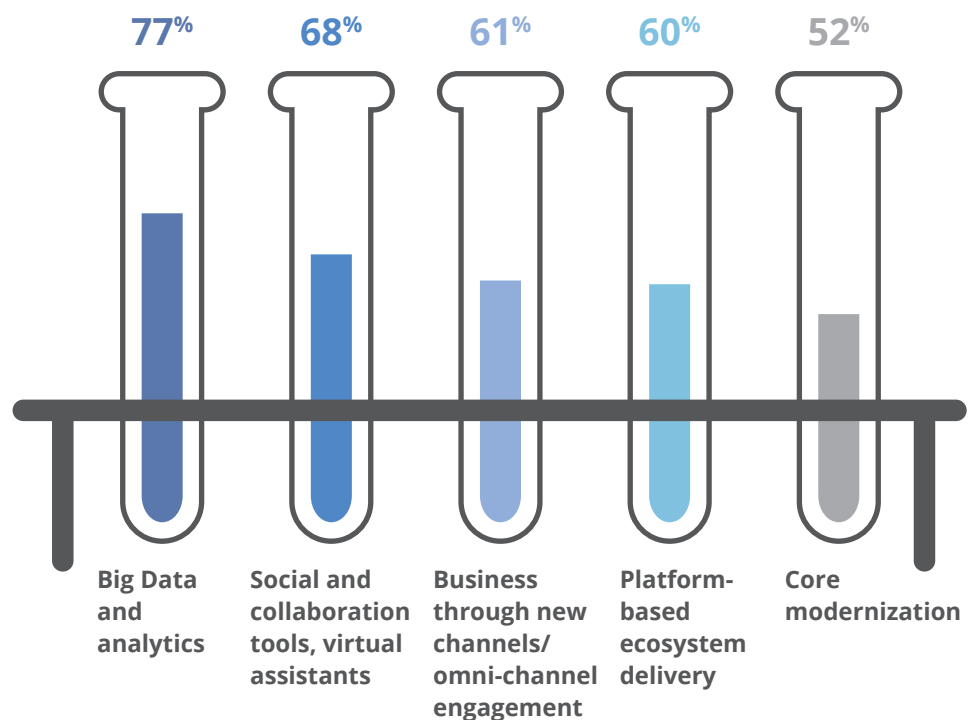
#### DX Success



#### DX Investment Priorities

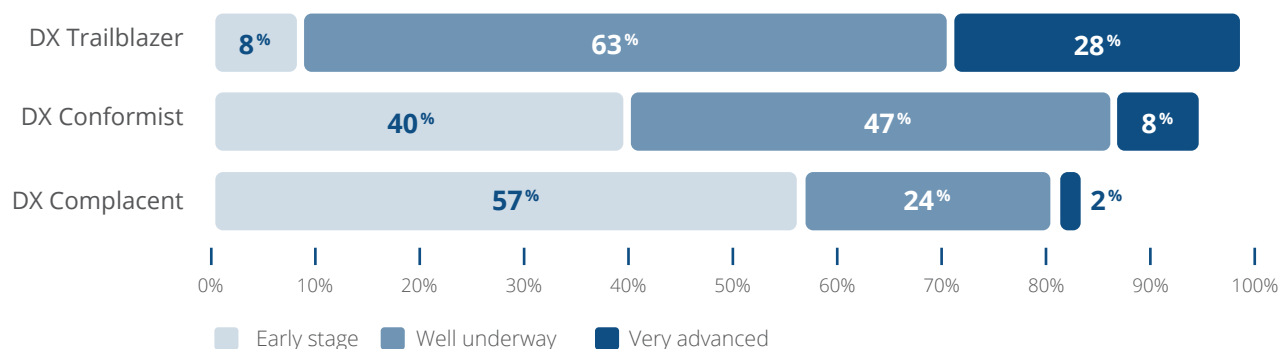
The study found that digital savvy financial institutions are prioritizing investment in big data and analytics. Recognizing the market change in communication preferences, they are also investing significantly in social and collaboration tools, omni-channel and platform based ecosystems while ensuring continued integration of the back end through core modernization spend.

#### Technology investment priorities that are most advanced in DX



DX Trailblazers are also very advanced in the extend to which they incorporate AI/analytics to identify opportunities for monetization compared to DX Conformist and DX Complacent FSIs. This relates well to the organizations' attitude towards IT's role in DX. These enterprises treat data and information as they would any valued asset. Information is the highest value DX differentiator in these organizations. Information is not only used to make better decisions and optimize operations and products, but it is also monetized in the form of products and services.

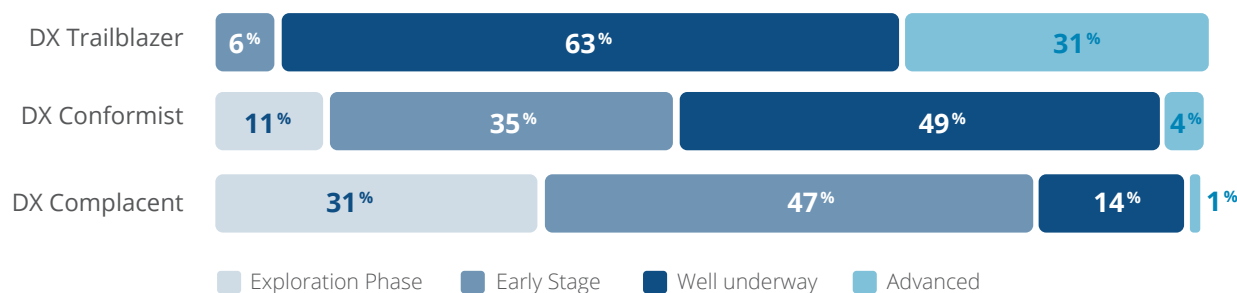
#### Adoption of AI/Analytics for Monetization



#### Connected Financial Services and Ecosystem Experiences

Traditionally, FSIs produce and distribute their own products through its own channels to its own customers. The business model is FSI centric and product centric, not customer centric. Onboarding new customers is costly and time consuming. Bundled products are often not targeted to the specific customers' needs. Conditions and pricing are not transparent.

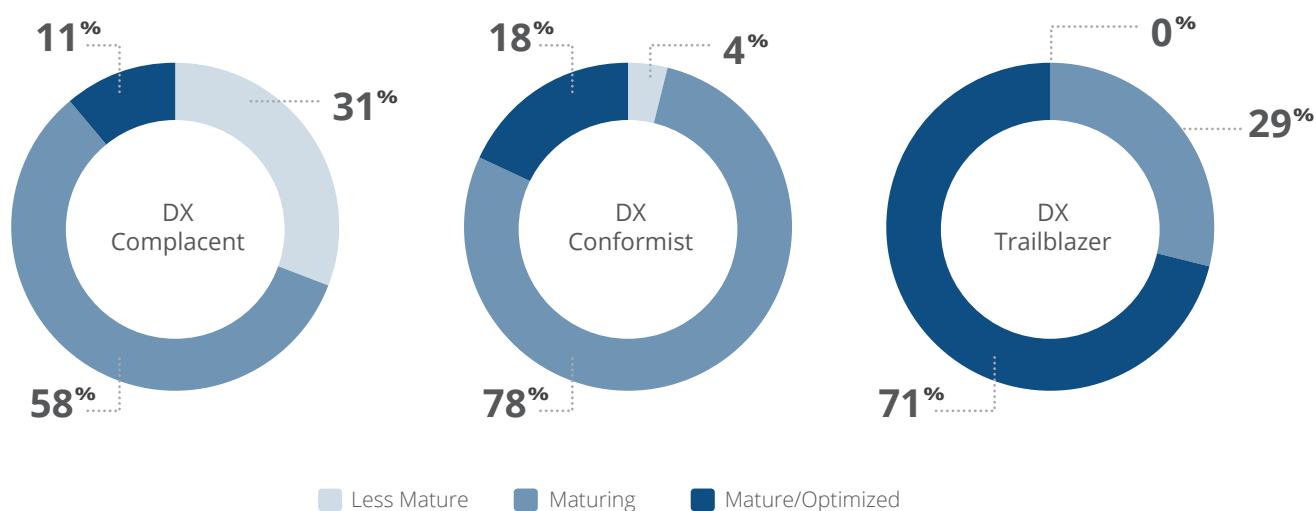
#### Stage in delivering connected FS



An open and connected financial services ecosystem will give customers control over how they engage with the FSI and what services they want to consume (unbundling). Products/services marketplaces for credit, deposits, and investments will increase reach but also competition. Third-party applications will allow full financial management across multiple financial services accounts. New business models around data access, data analytics, security, and identity will emerge.

A connected financial services business encompasses omni-experience engagement, next-generation payment networks, modernized core, increased efficiency and agility, digital trust and delivery of value-oriented and personalized offerings to customers through an ecosystem approach. It represents an agile, efficient, collaborative way of working in partnership with different ecosystem players both internal and external to the organization.

#### Stage in building/growing ecosystem experiences in collaboration with internal and external stakeholders



The attitude of DX Trailblazers towards IT's role in DX and the resulting investment focus help them achieve an optimized state in building ecosystem experiences. Majority of these organizations are advanced in delivering a connected financial services business. The situation enables these FSIs to repeatedly disrupt the market leveraging a connected ecosystem and offers a perfect platform to face an increasingly open and connected world (open banking, insurance business enabled by open APIs etc.) driven by customer demand and regulatory pressures.