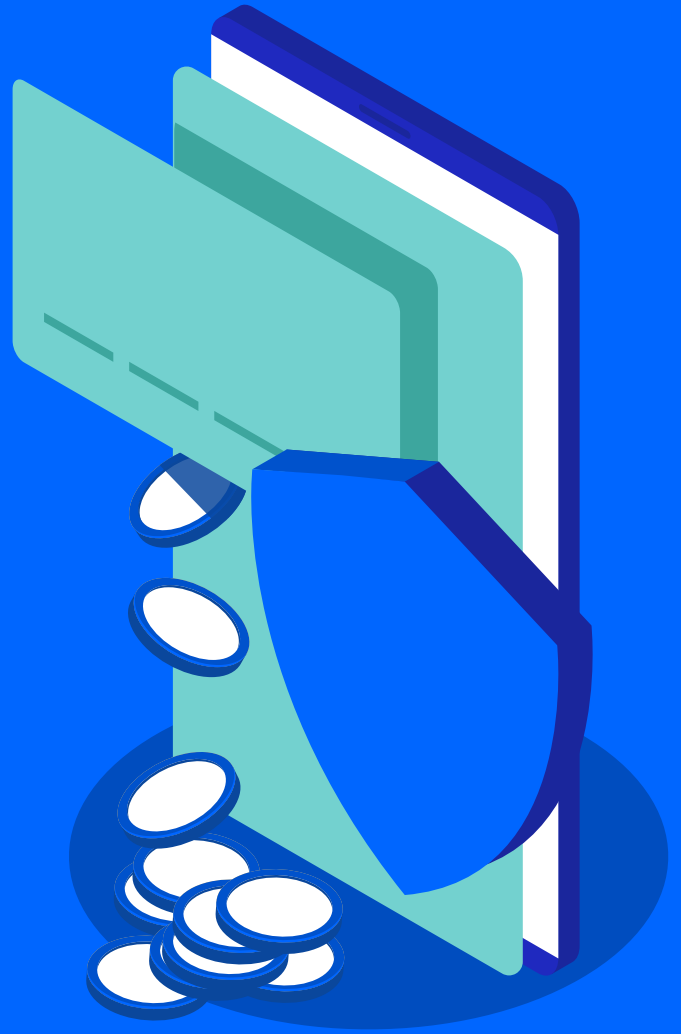




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# **The Digital Business Playbook for Financial Services Firms:**

## **Trends Driving Digital Transformation, and Strategies for Success**

# Introduction

Today, consumers embrace a willingness to experiment with new ways of doing things that, in turn, are driving the need for digital transformation. This white paper discusses customer trends and the factors at play driving today's digital businesses. It explains the three phases of digital maturity and details four rules of digital business that all financial services firms should follow to be successful. Further, it explains the impact of culture and how a shared set of values and beliefs are necessary to truly drive innovation.

## **Trends Driving the Evolution of Digital Business**

The consumer is evolving and becoming vastly more empowered. As a result, five trends have emerged that are changing how organizations respond to shifting consumer preferences:

Willingness to Experiment—Consumers around the world are displaying an increasing appetite to experiment with new technologies and new ways of doing things, much to the benefit of organizations willing to innovate the ways in which they interact with their customers in order to enhance their experience.

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## **Customer preferences and behaviors have changed.**



**Device Usage**—Not surprisingly, device usage is on the increase. It's no longer just your computer and your phone. Today, it's multiple mobile devices and laptops. We are now connected more than ever via wearable devices, and connected to our homes thanks to the Internet of Things (IoT). What used to be a limited experience is now constant connectivity.

**Digital/Physical Integration**—More consumers are expecting digital and physical experiences that are seamlessly integrated together. Gone are the days of dealing with unique contact channels. Today, consumers can get cash from their ATM using their smartphone. Banks are even using smartphones to automatically authenticate customers when they walk into a branch. Similarly, at home there is a trend towards leveraging smartphones to engage in human interactions; face-to-face dialogues where chatbots are not sufficient to meet the needs for high value, emotional, or complex experiences.

**Information Savviness**—Consumers today are much more knowledgeable and savvy about traditional and next-generation services offered by banks and financial services firms than ever before. They are interacting with your businesses more than ever, and they are consuming and demanding increasing amounts of information. Being able to manage that information and dole it out properly is critical to meeting consumer demand.

**Self-Efficacy**—Consumers are expecting more than transactions and products. They are expecting added value. Today, consumers are quick to ask, "what's in it for me?" If you give a customer a financial product, what else are you doing to help improve their financial lives?

The frustrating thing is that many organizations are not prepared to deal with this kind of change in consumer behavior. Because of this, gaps have opened for disruptors to enter the market and drive a wedge between firms that have not evolved and their customers. New market entrants with strong technological heritages have created products and experiences that simply deliver a better experience for customers than most traditional banks and firms - which is why customers are leaving them in droves. Once the connection to the customer is lost, these organizations will be reduced to a "dumb pipe" and relegated to competing on price and ever shrinking margins; a surefire way to go out of business.

# This is the New World



There is a new competitive landscape. It's the big tech firms—GAFA (Google, Amazon, Facebook, and Apple) and BAT (Baidu, Alibaba, and Tencent) who don't need licenses to operate in financial services. They just curate and use data to create superior customer experiences. There are also fintech firms attacking every part of the value chain who come in and unbundle services creating disruptive and different experiences. Meanwhile, traditional financial services struggle to keep up.

Competition is also coming from adjacent industries. For example, with over 23 million unique users, Starbucks is the biggest mobile wallet and payment platform there is (ahead of Apple, Google, and Samsung). Then there is Ford and Honda who were focused on leasing and financing of cars, but are now partnering with banks for payments at the fuel pumps and parking. Even large Telcos are well-positioned to offer banking services, not just payments. They offer the equivalent of checking accounts, credit cards, and loans. The lesson here is that competitors are no longer restricted by industry. Disruptors are looking at old business models and redefining how products and services have been traditionally delivered, and by doing so, they're creating better customer experiences.

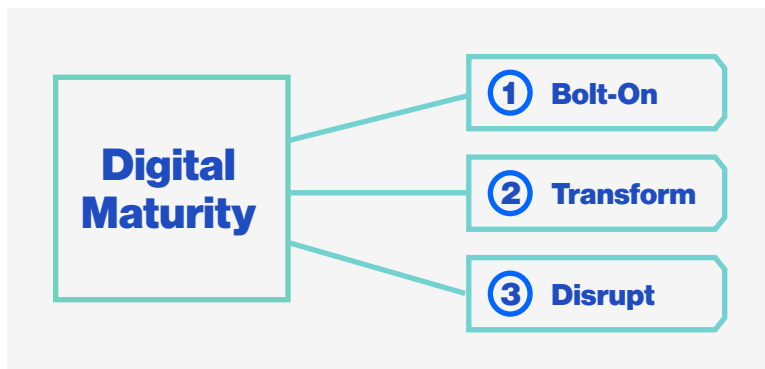
The disruptors in the market are obsessing over customer needs and delighting them with superior digital experiences. They innovate at speed. They use software to automate end-to-end processes. They partner through digital ecosystems and experiment with new business models. This is the new world.

# Becoming a Digital Business

Financial services firms have to become a digital business in order to compete and remain relevant to customers. But digital transformation does not mean customers never talk to a human being. A digital business exploits technology to create new sources of value for customers above and beyond the product. They also increase operational agility in the service of those customers—and that service does not always have to be digital, it can be a human interaction.

But few companies have started true digital transformation programs, despite assertions by many who say “Yeah, we’re doing that,” and this is a problem. Most organizations are still addressing tactical short-term savings. Some are getting some cost savings and functional agility, but very few are end-to-end digital businesses with a sustainable and long-term competitive advantage. What we have are organizations that think they are done with digital transformation who were never truly on the journey. And besides, a digital transformation journey never really ends. It is a constant.

**There are three phases to digital maturity.**



**Bolt-On**—The bolt-on phase is where most organizations are today. In this phase, organizations are impacting the customer experience with things like mobile apps. But effectively, they are transforming the front-end experience only.

**Transform**—As organizations mature, they begin to transform the business as well (from the inside out).

**Disrupt**—The organizations with the highest level of digital maturity can actually disrupt entire industries.

Unfortunately, most organizations remain in the bolt-on stage and are still trying to get a handle on transforming the customer experience. So, how does an organization affect real change? They need a digital culture that is customer-obsessed, and they must focus on the four rules of digital business.

Organizations often change everything but the culture because they think it’s too hard. But it is actually the number one thing they should change because it’s a long-term endeavor. Firms need a shared set of values and behaviors that are nurtured by leaders who have the right skills.

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**Financial services firms have to become a digital business in order to compete and remain relevant to customers.**

# Four Rules of Digital Business

The four rules of digital business are:

## 1. Digital Experience—Deliver experiences that are easy, effective, and emotional.

Sadly, financial services organizations still lack the ability to differentiate themselves from the competition. Except for the few who excel at differentiation (and those who clearly lag), most organizations are clustered in the middle and are not differentiated in the eyes of the consumer. This makes the threat from tech disruptors who come into the marketplace and curate a better customer experience a real business risk.

Another issue is that while marketing content is abundant, it is rarely convincing. Organizations fail to tell the prospect what they need to know and cannot clearly tell a prospect why they should choose their organization. It is important to remember that financial services is a relationship, not a fast moving consumer good. It impacts people's lives every day.

Emotion is also an area financial services firms falls short on. While most deal well with ease-of-use and effectiveness—so does everyone else. Emotion is what makes customers stay and what drives them away. But emotion is not simply about making the customer happier. What makes customers stay is when they feel appreciated, respected, valued, and confident. What makes them leave is when they feel annoyed, disappointed, and frustrated. Yet, most firms continue to make their customers feel like just they are just a number.

Customers go through an on-boarding process then the organization immediately goes into sales mode focusing on the next best offer, rather than the next best interaction. Simply trying to sell customers another product is not going to drive loyalty.

## 2. Digital Operations—Reconceiving products and capabilities to deliver better outcomes.

Organizations are quickly transforming back office operations to make services faster, digital, and paperless. But some organizations are going even further. They are digitizing operations to create more value for the customer. For example, providing purchasing information back to merchants so they can tailor their offers back to the consumer. But again, it's not just about driving sales, it's about helping the customer. Letting the consumer know where they can save money; letting them know they are about to be overdrawn on their account; and that they have a payment coming due. It's about helping the consumer get smarter about their financial lives, not just selling a product. Digital businesses simply think differently. For traditional business, the value proposition is usually about process efficiency. For a digital business, it's about flexibility and speed. Traditional businesses focus on transactions; digital businesses focus on interactions.

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**It's not just about driving sales, it's about helping the customer.**

### 3. Digital Ecosystems—Build platforms and partnerships to accelerate scale.

More financial services organizations are partnering with fintech and other players to create more value for the customer through open business models. Traditional businesses think in terms of:

- What business are we in?
- Who are our customers?
- What are our contact channels?
- What partners can help us reach those customers through those channels?
- How can integration increase value chain efficiency?

Those with open business models think differently. They focus on:

- What are we uniquely good at?
- What are our unique assets?
- What ecosystems can complement our assets and capabilities?
- What relationships will allow us to penetrate those ecosystems?
- Which capabilities do we connect to which relationship?
- How do we continuously optimize connections to win, serve, and retain customers?

Open digital businesses have a very different way of thinking that requires an intellectual shift on the part of traditional organizations to actually make it happen. It's about thinking in processes and adjacencies to create value for the business and the customer.

Many firms provide great experiences, offer customer journey mapping, and understand what goes on. But firms really must also understand their customers' ecosystem as well—not just their ecosystem but their customers. What is it that is influencing them and what are their goals, what are their interests, who is their community, because that starts the correct context for building a customer focused business?

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## 4. Digital Innovation—Continuously improving and breaking through the digital frontier.

This is really about continuously improving and breaking through the frontier. Just look at small-to-medium businesses. Today, many are still focused on paper-based payments, point-of-sale receipts, etc. A company like Square comes in and completely innovates it, brings it all together, and creates a brand-new business model that creates new value for their customers.





# It's All About Culture

Despite these four rules of digital business, if the culture is broken, firms will continue to struggle. But what is culture? It is a shared set of values and beliefs that drive behavior. It is not what you say, it is what you do. It is how people behave when no one is looking and when no one is telling them what to do that will pave the way for great innovation.



A digital culture is critical to the success of digital transformation. Referring back to the four rules:

- To drive **digital experiences**, strive for a culture that fosters customer empathy and that values a deep understanding of customers' needs and ecosystems.
- To drive **digital operations** and focus on things that customers value, recognize and reward digital experimentation and collaboration. Nurture a culture that embeds metrics—customer metrics—into the scorecard of every employee. And foster customer empathy and customer-led decision making.
- In order to leverage **digital ecosystems** for broadening platforms and partnerships, nurture a culture that promotes internal and external collaboration.
- To place **digital innovation** at the intersection of experiences and operations, support a culture that encourages speed instead of perfection (which is a difficult concept for financial services firms). Develop a healthy tolerance for risk, and a willingness to fail fast and learn from failures.

# Conclusion

In order to become a digital business and move up the digital maturity curve, financial services firms cannot ignore culture because it impacts everything. In fact, the traits found in strong digital and customer-focused cultures are:

- Customer Obsession
- Empathy
- Speed & Agility
- Collaboration
- Experimentation

These are the traits that successful digital businesses have in common, and they are the traits that allow firms to remove many of their digital transformation barriers.

**How effectively is your organization transforming and becoming a digital business? And are you actually rewriting the rules of the business to deepen your customer engagement?**



# About Nuxeo

For organizations that need to make business content shareable across the enterprise, Nuxeo is a cloud-native content services platform that streamlines content-intensive operations, making your business more agile and competitive, lowering compliance risk by protecting the security and integrity of your enterprise content, and empowering knowledge and case workers by simplifying access to valuable business information.

**Unlike traditional offerings, Nuxeo has been architected to take full advantage of the cloud and uses a micro-services architecture to deliver elastic scalability and performance.**

**Nuxeo provides a complete content services platform and includes native capabilities such as:**

- content and asset management,
- collaboration,
- workflow,
- search,
- analytics,
- renditions,
- a configurable user experience,
- and the industry's most advanced metadata modeling.

**To learn how Nuxeo's content services platform can improve how your organization manages content, schedule a custom demo with one of our solution architects or download the Nuxeo Platform to try it for yourself.**

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