



2021 Digital Trends

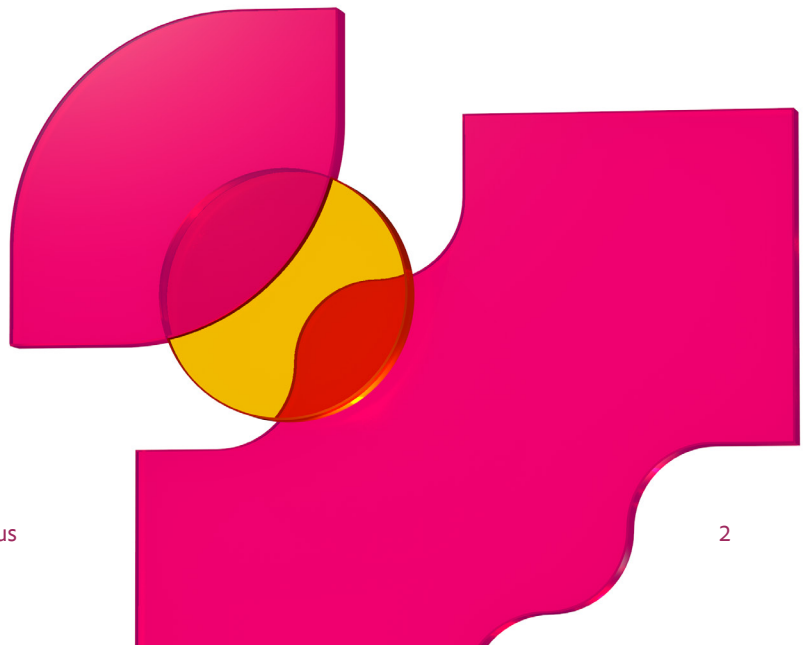
Financial Services & Insurance in Focus

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With over 13,000 participants in the 2020 study, more than 85,000 businesspeople from every continent (including Antarctica) have contributed their time and insights to this research since its inception in 2010. Their contributions make this the largest and most durable study of how digital trends are changing the marketing discipline.

Adobe and Econsultancy would like to thank everyone for their effort and insight.



Foreword

Welcome to Adobe's 2021 *Digital Trends Report*, our annual survey that charts the evolution of marketing, advertising, ecommerce, creative and technology professionals around the world.

Last year, we published a landmark report to celebrate a decade of *Digital Trends*. As we celebrated its launch, nobody could have predicted what the next 12 months would bring. Well, it certainly hasn't been 'more of the same'. The global pandemic and the sustained level of uncertainty that followed have led to the most innovative period in the history of marketing, essentially rewriting the rulebook for many businesses.

Instead of deviating from predicted trends, the dramatic events of 2020 have acted as an accelerant for digital transformation. Topics that were years away from consideration are now at the top of today's agenda. Whether demand for their products and services has increased or decreased, businesses are all grappling with the same challenges: remote working, new digital customers, the need for greater convenience, changes in buying behaviour and, on top of all that, their employees' and their customers' well-being. More than two-thirds of the companies with top-tier customer experience (CX) functions outpaced their sectors in the second half of 2020 and they were three times more likely to have 'significantly outpaced' their sectors than the rest of the sample.

The results of our survey show that past investments in customer experience have paid off, which further underlines the importance of speed and personalisation as we enter the new era in experience. As business leaders look towards the new year and scan the horizon for a return to normal, it's apparent that the new era in experience will be born digital. The economic



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impact of this acceleration and the opportunities it presents will only become clearer as the dust settles. The 2021 *Digital Trends Report*, produced in collaboration with Econsultancy, brings key trends to life with startling clarity.

The 2021 *Digital Trends Report* looks to both the past and the future, presenting two equally valuable perspectives: What has changed in the last year as a result of the pandemic, and the trends that are waiting around the corner.

Thousands of seasoned professionals have shared their hard-won lessons of the pandemic – offering advice on everything from hybrid working and attracting talent, to catching up with the exponential rise of the digital-first consumer.

From these insights, we present three guiding principles for 2021: *empathy* is the future of experience, the new era is *disruptive*, and *brand purpose* becomes even more relevant.

With the world on the brink of change, this year's report provides timely insights to help marketers and business leaders realign their vision and bounce back stronger in 2021.



Summary

During the coronavirus pandemic, the financial services sector became something of an additional emergency service, helping customers manage their money during deeply worrying and uncertain times. It had to do this while its institutions were, themselves, massively disrupted. Branches closed and staff moved to working from home while, at the same time, enquiries and the need for financial products skyrocketed.

But while the periods of lockdown were challenging, they also opened up new opportunities for the sector. More hybrid working methods proved to be an effective way of managing human resources, innovations in remote working technologies moved from theoretical and experimental, to practical and permanent. Digital-first brands saw their approach validated, while legacy brands accelerated their transformation programmes.

This report examines the current status of the financial service industry's digital adoption efforts, reviews the challenges that still stand in the way of a fully realised transformation, analyses how leaders in the sector are approaching those challenges, and makes recommendations for next steps on the digital journey.

Key findings from the report include:

The pandemic created the ideal environment for fresh digital thinking. Over a six-month period in 2020, 60% of financial services company employees agreed that they had an unusual degree of freedom to experiment and innovate. The vast majority (79%)

also felt they were unusually agile, enabling them to take actions quickly and 71% agreed that they had a high degree of communication between teams. This is grounds for optimism as nearly three-quarters of employees feel positively about their company's corporate strategy (68%) and business outlook (71%) for 2021.

Legacy systems and workflows are complicating companies' ability to respond. Convoluted and outdated technologies are the biggest obstacle for financial services institutions (Financial Services) preventing them from moving their customer experience efforts forwards. Nearly two-thirds of retail banking executives struggle with legacy systems, while over a quarter of financial services and insurance respondents have to work across multiple different MarTech solutions. This means it is difficult to reconcile the outputs from individual systems when what is needed is a single, unified approach to understanding the customer journey.

Employees want the tools to adapt to a digital-first financial sector but lack the resources. In the new hybrid working model, employees feel it would help to have more automated and virtual back-end technologies to help them deliver a better customer experience more effectively. A quarter of Financial Service executives are focussed on integrating digital document management, while 20% can see the virtue in robo-advisors and 16% would welcome more chatbots or virtual assistants. However, in retail banking in particular, 35% of employees cite a lack of innovation and 42% note a lack of digital skills are still holding them back.

The pace of digital adoption has suddenly picked up speed

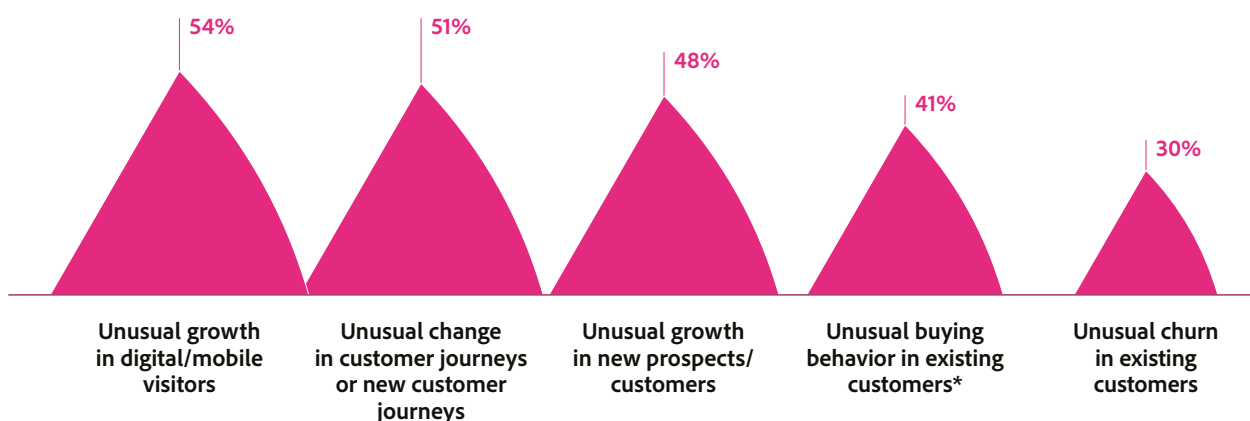
The abrupt and monumental shift in consumer behaviour resulting from the COVID-19 pandemic has accelerated the pace of digital transformation that has already long been taking place in the financial services industry.

To reduce the intense pressure on telephone and branch services during the crisis, providers have been more actively encouraging the use of digital and mobile channels. This shift has forced many customers who may have been reluctant to interact with providers via these channels in the past to now use them as their main point of contact, and to do so during a time of considerable upheaval for both providers and customers.

Demonstrating the extent of the pandemic's impact in retail banking industry, NatWest Group has reported a notable increase in digital adoption in the first half of 2020, with over 500,000 new mobile app downloads, and 485,000 new online banking customers.¹ Meanwhile, Santander UK reported that monthly use of live chat and chatbot services in June 2020 was over 16 times higher than in January 2020.² This is very much in line with research findings, which revealed that 54% of financial services and insurance firms surveyed experienced unusual growth in digital/mobile visitors in the first half of 2020 (*Figure 1*).

Despite all the operational challenges imposed by the pandemic, the rising use of digital services is creating new opportunities that would have not otherwise materialised. Indeed, nearly half of financial services and insurance firms (48%) surveyed reported unusual growth in new prospects/customers over the second half of 2020, compared to just 30% who said there had been unusual churn in existing customers.

Figure 1 **Thinking about the last six months through today, has your organisation experienced any of the following customer behaviours?**



*lower or higher basket size, new product purchases, etc.

Respondents – 222

¹ <https://www.natwestgroup.com/news/2020/07/h1-2020-natwest-group-results.html>

² https://www.santander.co.uk/assets/s3fs-public/documents/santander_uk_group_holdings_plc_2020_hy_financial_report.pdf

Nearly four out of ten (37%) of all financial services executives surveyed report that digital and mobile currently account for half or more of their sales (Figure 2). Reflecting how retail banks can leverage heavy use of online banking to drive cross-selling opportunities, nearly two fifths of retail banking respondents (38%) said that half or more of their sales are digital. This compares to a third of those working in the wealth management (32%) and insurance sectors (32%).

The nearly wholesale shift to digital channels during the pandemic has resulted in massive spikes in digital sales in the financial services industry. In an article entitled, "Breaking away from the pack in the next normal of retail banking distribution", McKinsey revealed that digital sales penetration has risen by a third between December 2019 and May 2020 in the UK.³ Meanwhile, in a July 2020 interview, William Demchan, CEO of US-based PNC Bank, said the share of new sales via digital at the bank rose from 25% to 75% just one month after the start of the crisis.⁴

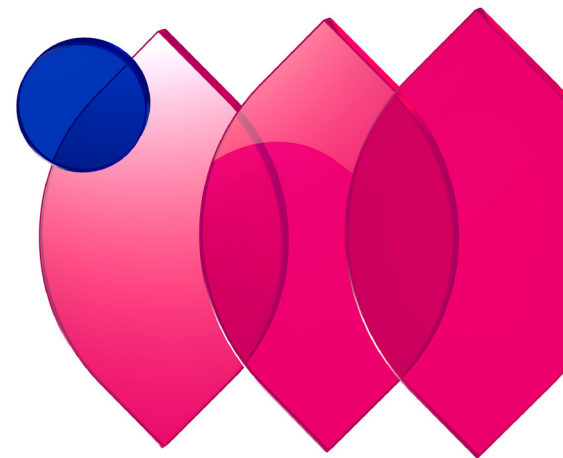
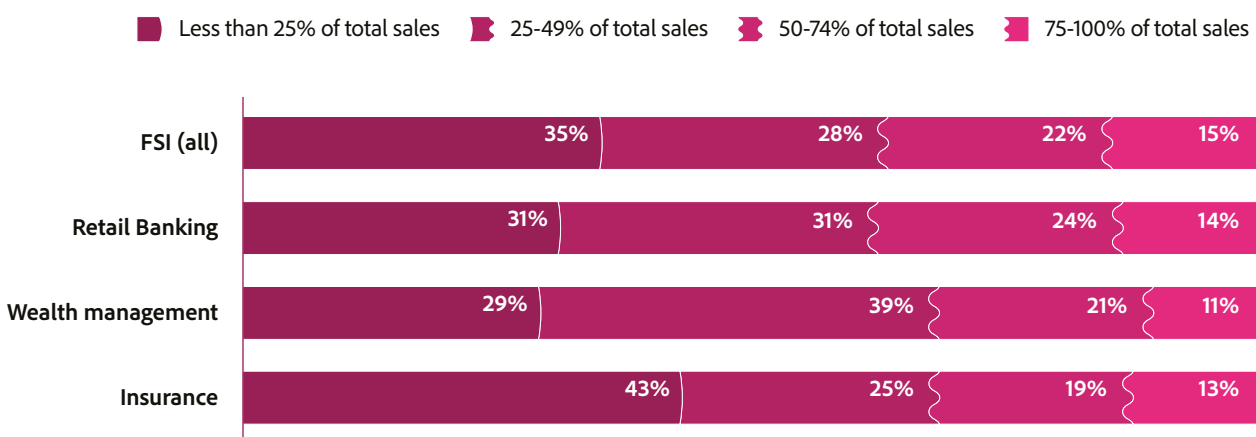


Figure 2 **What percentage of your current sales are directly from digital and mobile channels?**



Respondents – FSI (all): 654, Retail banking: 210, Wealth management: 104, Insurance: 189

³ <https://www.mckinsey.com/industries/financial-services/our-insights/breaking-away-from-the-pack-in-the-next-normal-of-retail-banking-distribution#>
⁴ <https://www.euromoney.com/article/b1mhcj2mk2n9x3/pnc-covid-19-and-the-rise-of-a-national-champion>

The dawn of a new digital customer

The shift to digital is not a temporary blip. In every study, whether regarding retail, financial services, entertainment or health, a significant proportion of those customers who migrated to digital for the first time during the pandemic plan to stay.

In the early stages of the crisis, financial services had to react quickly to minimise disruption. Credit card company, Capital One, benefitted from an established work-from-home policy as well as from the fact that it had already made significant investments in cloud technology and digital customer servicing.⁵ But even it, as well as other digitally-savvy institutions such as Aviva⁶ and Aegon,⁷ had to introduce new digital capabilities as quickly as they became available. But now that the initial rush is over, financial services have the opportunity to take advantage of the situation.

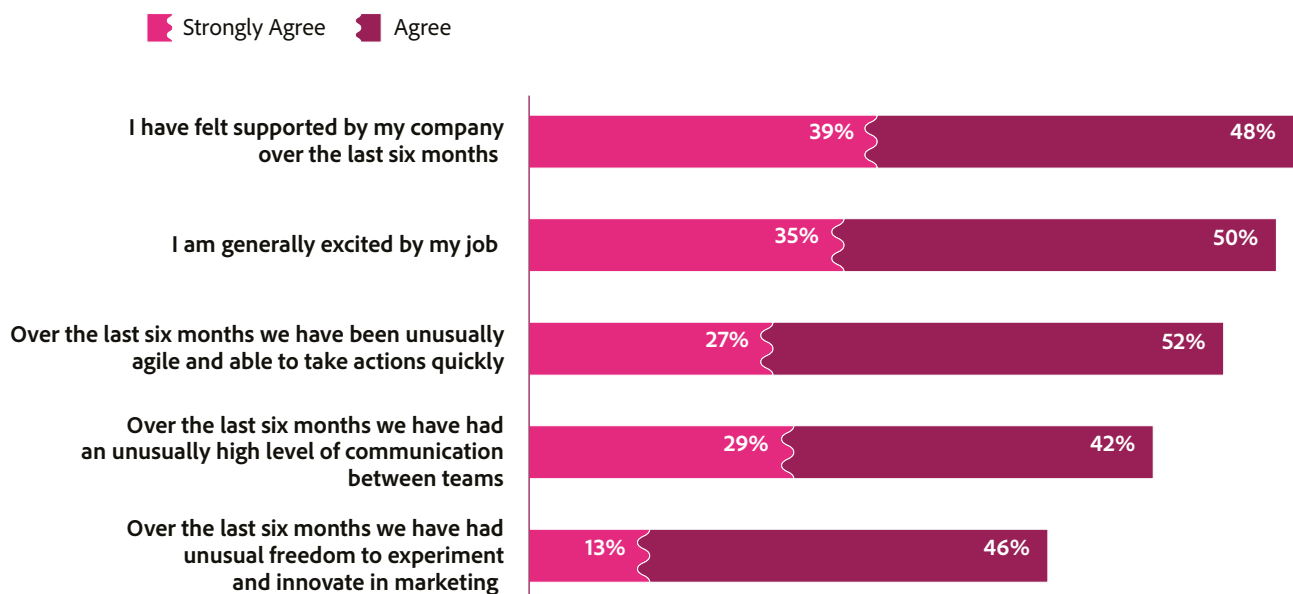
Over the last six months, three out of five (59%, *Figure 3*) financial services and insurance company employees agree that they have had an unusual degree of freedom to experiment and innovate in marketing, while nearly four out of five (79%) agree that their companies have been unusually agile and able to take actions quickly.

This type of activity is not possible without effective collaboration between individuals; therefore, it is unsurprising that most industry respondents (71%) have reported an unusually high level of communication between teams over the last six months.

Now that financial services are beginning to better comprehend the true potential of the powerful digital technologies available to them, this understanding is going to inform their wider technology infrastructure going forward.

Figure 3 **Proportion of respondents agreeing to culture-related statements**

Thinking about how your organisation approaches customer experience (CX), to what extent do you agree or disagree with the following statements?



Respondents – 371

⁵ <https://www.informationweek.com/strategic-cio/executive-insights-and-innovation/cloud-eases-pivot-to-remote-work-for-capital-one/d/d-id/1338470?>

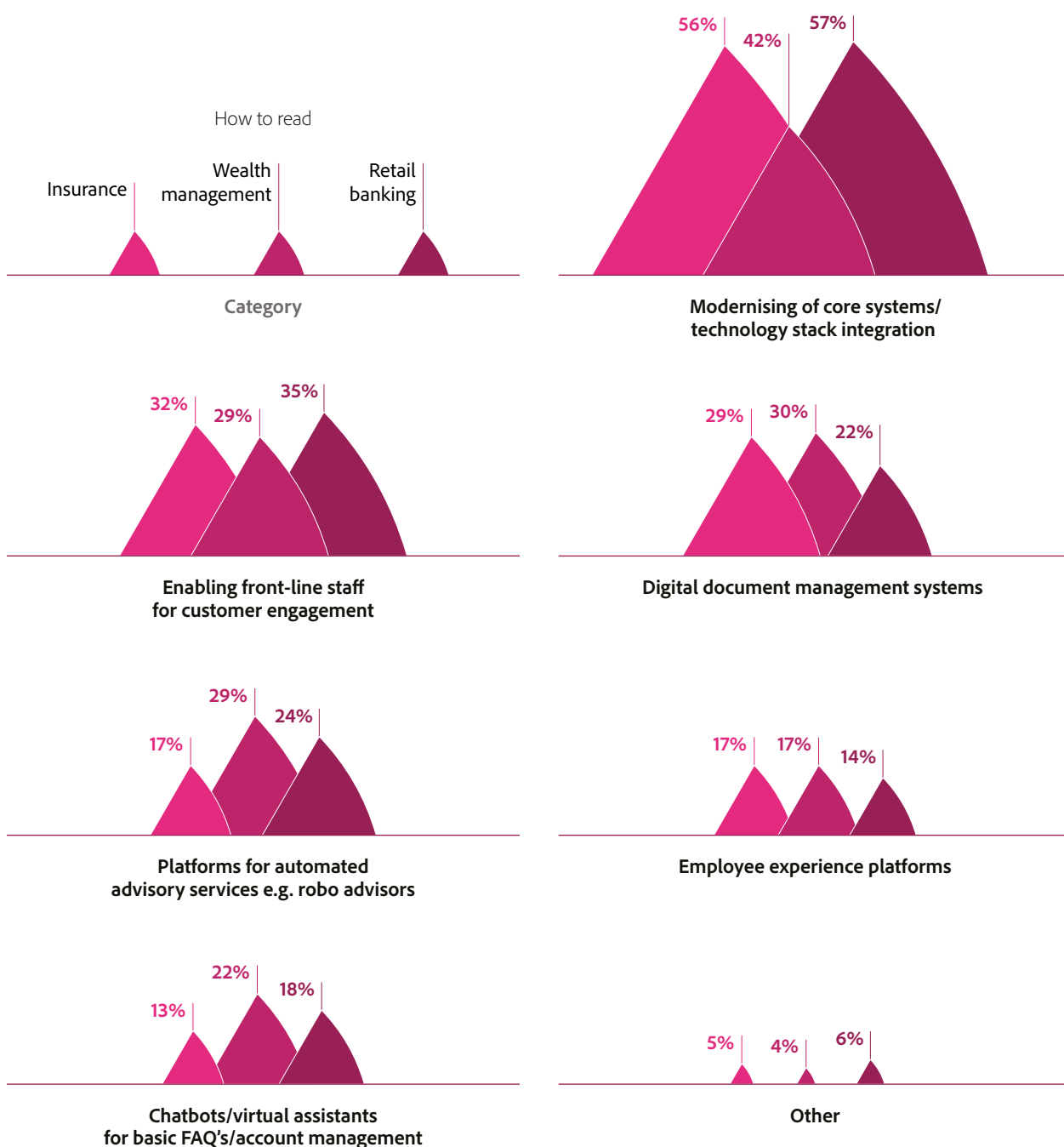
⁶ <https://www.moneymarketing.co.uk/news/aviva-sourced-4000-laptops-to-over-covid-19/>

⁷ <https://www.moneymarketing.co.uk/news/aegon-phoneline-for-ifas-to-be-fully-operational-within-10-days/>

Review and refresh technology for a drive to digital

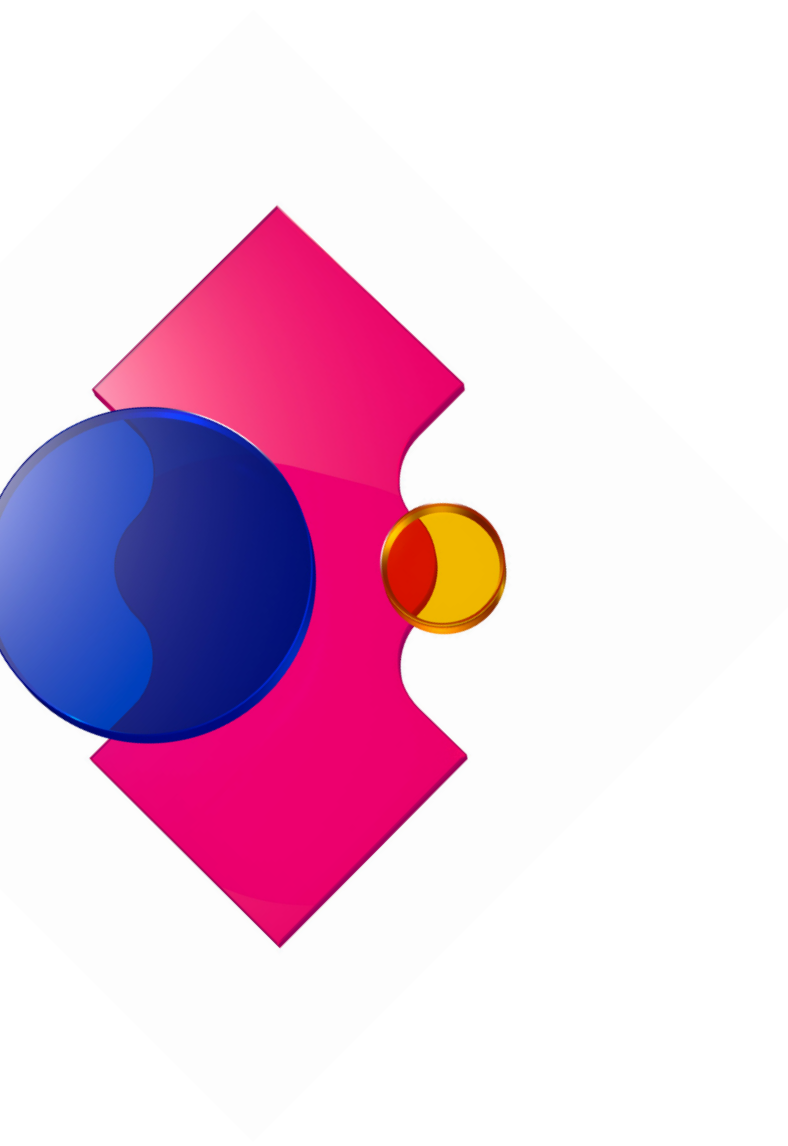
Each year financial services companies spend millions of dollars investing in their core systems. According to a report published by the FCA in December 2018, UK banks spend between 18% and 26% of their total operating costs on the maintenance and updating of core legacy systems.⁸ Indeed, according to our research, modernising core systems is executives' top priority (53%, Figure 7), followed by enabling front-line staff (30%).

Figure 4 **What are the top two areas of focus for your organisation's digital initiatives?**



Respondents – Insurance: 179, Wealth management: 97, Retail banking: 199

⁸ Strategic Review of Retail Banking Business Models: Final report (fca.org.uk)



It is a recognition of the immediacy of need for transformation and improved customer experience that *Figure 4* shows a high focus on modernising core systems in both retail banking (57%) and insurance (56%), yet much lower levels in wealth management (42%).

Some companies had been engaged in technology transformation programmes for some time even before the pandemic hit. Capital One (mentioned previously) has been involved in a long-term project to move legacy and new-build applications to AWS as part of its efforts to become more agile, advance mobile strategies and integrate machine learning and AI.⁹ Similarly, in December 2020, Deutsche Bank finalised a cloud computing agreement with Alphabet to shift large parts of the bank's core systems onto Google servers.¹⁰

With back-end systems in place, financial services are better placed to engage with customers via frontline staff, either in-branch or remotely. This is a tipping point for the industry. According to our survey, nearly three-quarters of employees are optimistic about corporate strategy (68%) and business outlook (71%) for 2021. It is time to understand what digital transformation actually means for financial services, post-COVID-19.

■

⁹ <https://www.informationweek.com/strategic-cio/executive-insights-and-innovation/capital-one-cio-were-a-software-company/d/d-id/1333457>

¹⁰ <https://www.bloomberg.com/news/articles/2020-12-04/deutsche-bank-to-move-heart-of-it-systems-into-google-s-cloud>

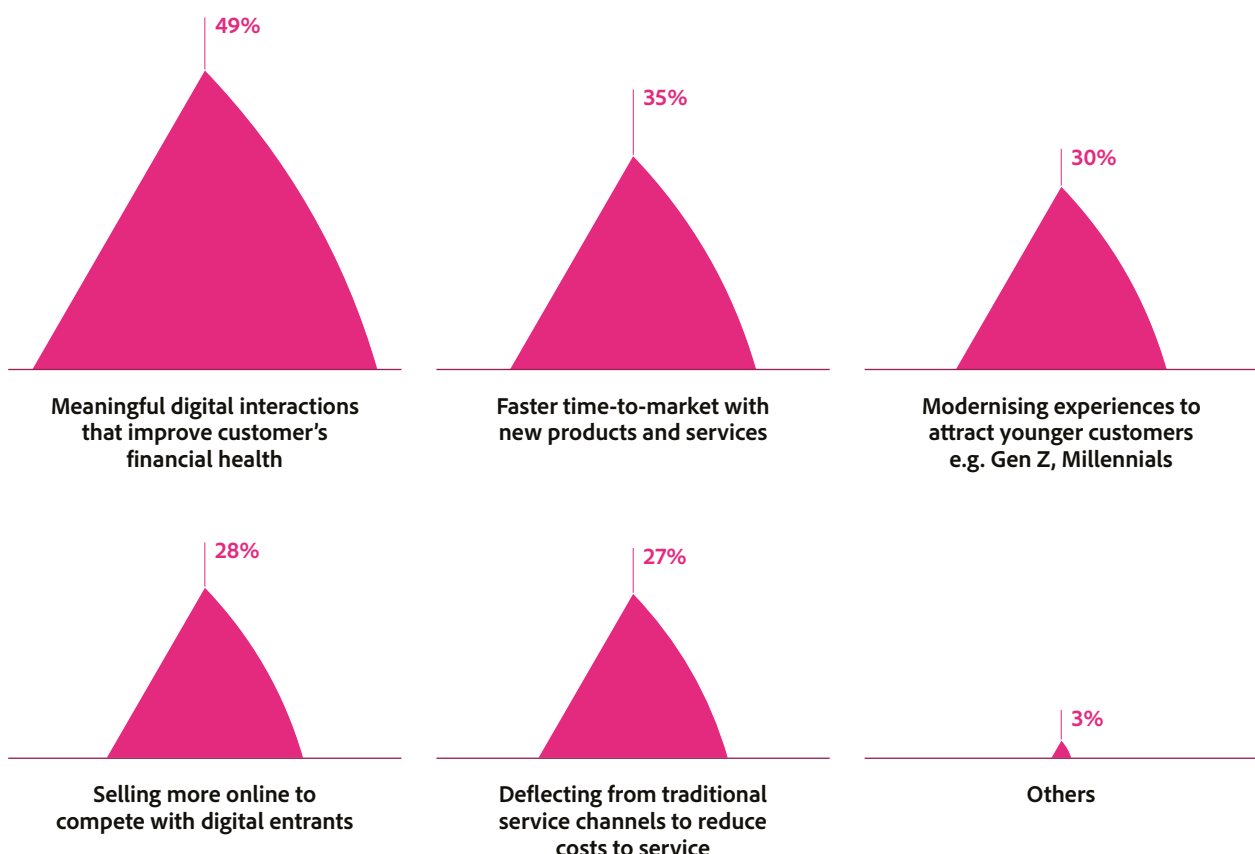
Meaningful digital interactions

Now that the provider-customer relationship is primarily digital, the stakes have been raised. Financial Services are looking for 'meaningful' digital interactions – *improvements to customers' financial health* and *faster time to market with financial products* are high on the list of organisations' priorities (49% and 35%, see Figure 5).

Looking at the survey data by subsector, we find that retail banking is most likely to stress meaningful digital interactions (55%), highlighting the important role banks play in people's daily lives. This compares to 51% of those in wealth management and 42% in insurance.

What does a 'meaningful digital interaction' look like? Research from FundsNetwork¹¹ has shown that the pandemic looks set to increase the demand for financial advice over the next five years, primarily in relation to changing circumstances and a realisation of the value of financial planning. In retail banking this means services that help customers keep control of their spending and offer a range of financial tools. The use of open banking doubled between January and September 2020,¹² with more than two million UK consumers now active monthly users of account aggregation apps.

Figure 5 **What are the top two goals for your organisation?**



Respondents – 617

¹¹ <https://www.financialreporter.co.uk/finance-news/covid-19-to-increase-demand-for-advice-over-next-five-years.html>

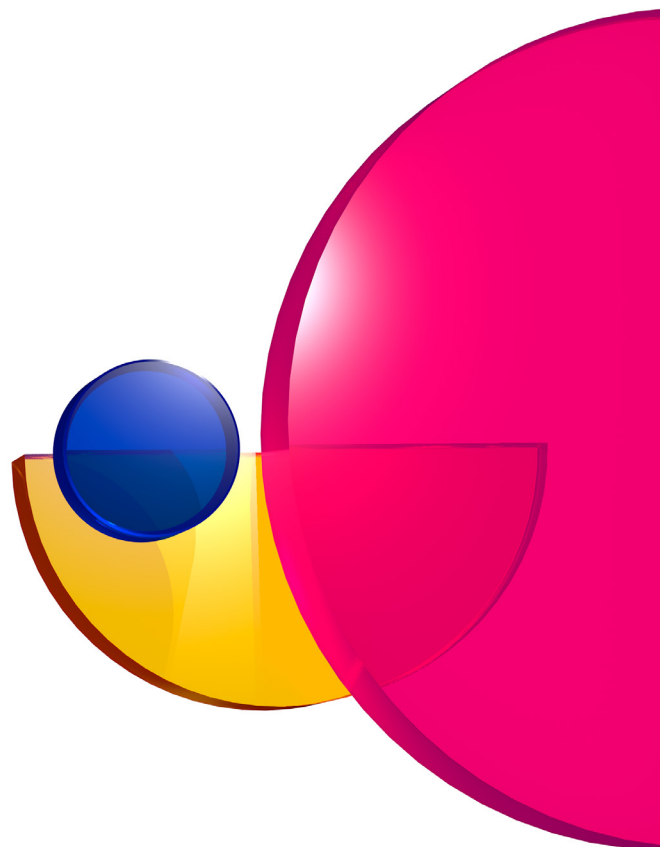
¹² <https://www.openbanking.org.uk/about-us/latest-news/real-demand-for-open-banking-as-user-numbers-grow-to-more-than-two-million/>

Open banking is fuelling the added-value insights that are being pioneered by the digital-only banks such as Starling,¹³ which offer real-time transactions, spending analysis and recommendations. Monzo goes a step further and includes utilities switching into its app in order to help customers take advantage of the cheapest deals available.¹⁴

However, this doesn't mean that customers of retail banking expect every interaction to be online, even during a pandemic. Anecdotal research from Bain & Company¹⁵ revealed a rise in visits to suburban bank branches, compared to ones located in urban centres. The consultancy also found that the reasons customers were visiting branches had changed, shifting from transactional to advice-based. For example, they noted that Citizens Bank in the US had transformed some of its branches to advice centres, as well as using staff as contact agents in lieu of the offshore contact centres that had been closed due to the pandemic.

Marked improvement in agility and collaboration between teams is helping providers deliver on promises. Additionally, newfound freedoms to experiment and innovate are exactly what the financial services industry needs to anticipate customers' ever-changing needs. At the same time, the importance of detailed customer analytics cannot be overstated. While Bain & Company found that some US consumers wanted in-branch advice, another recent study from McKinsey & Company discovered that the rise in remote working in the US had created demand for virtual advice.¹⁶

People want more than just online tools that help them understand their finances. They are increasingly looking for brands that understand their specific needs and can supply them with an effective blend of on and offline services to support their financial health. Expectations have been raised. The challenge now is in how to meet them.



¹³ <https://www.starlingbank.com/features/spending-insights/>

¹⁴ <https://monzo.com/blog/2019/05/08/switch-energy-supplier-through-monzo>

¹⁵ <https://www.bain.com/insights/more-digital-more-flex-retail-banking-behavior-amid-covid-19/>

¹⁶ <https://www.mckinsey.com/industries/financial-services/our-insights/transforming-the-us-consumer-bank-for-the-next-normal#>

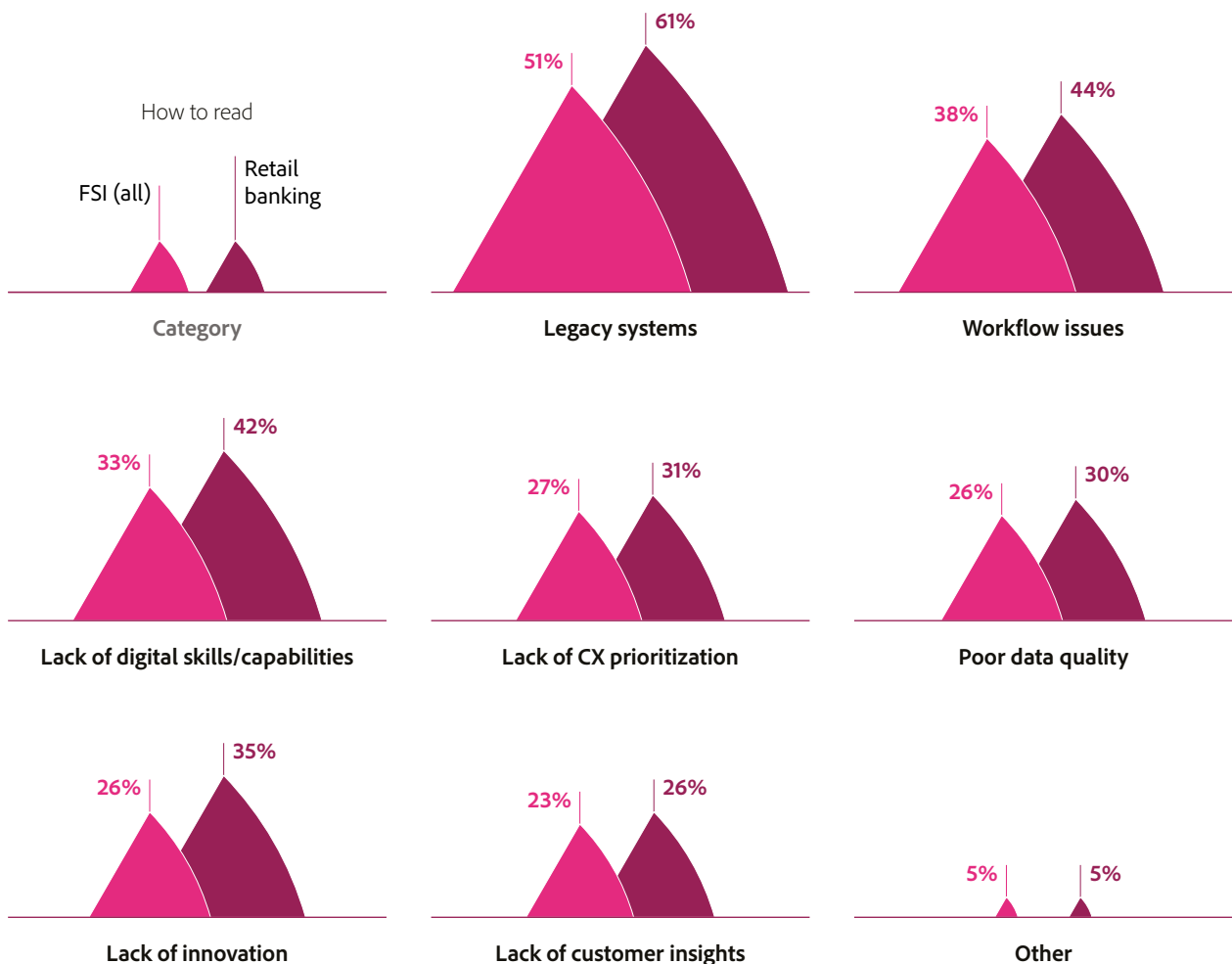
Legacy systems, workflow bottlenecks and data complexity get in the way of a joined-up customer experience

While financial services providers have set out ambitious goals for their digital initiatives, there are obstacles that must be overcome. Customer expectations are shifting faster than ever before and are often shaped by their experiences with other sectors, many of which have fewer regulations and technical barriers. Financial services have to work on making the most of strictly controlled data, innovate outdated processes and reconcile existing technologies to deliver on experience.

Right now, it is this latter issue that constitutes the biggest obstacle that prevents financial services from moving the customer experience forward. It is not just the age of technologies involved. Over a quarter (28%) of financial service respondents use multiple technologies/vendors for marketing data. This practice makes it challenging to unify and use the data needed to interpret and manage customer journeys effectively.

As customers move between offline and an ever-expanding range of digital touchpoints, technologies that enable systems and silos to talk to each other are fundamental. *Figure 6* illustrates how Retail banking suffers particularly badly from legacy systems (61%) and workflow issues (44%). Those working in the sector are also the most likely to cite a lack of innovation (35%) and lack of digital skills/capabilities (42%) as two reasons why those experiences are falling short of expectations.

Figure 6 **What is holding your marketing/customer experience organisation back, if anything?**



Respondents – FSI (all): 557, Retail banking: 148

Perhaps unsurprisingly, the importance of joined-up experiences has forced some banks to build new propositions from the ground up. For example, in 2019 RBS launched app-only banking service Bó on the premise that the company lagged behind existing demand and expectations: “people have had their Amazon or Uber moment and now expect every sector to deliver it” according to Bó’s CMO, David Erickson.¹⁷

Freeing up workflow bottlenecks

Fundamental overhauls of core systems may be unavoidable for some companies and, it can be argued, that it will eventually be inevitable for all. But Financial Services could also be missing more subtle changes that could have a disproportionately large impact on both customer experience and employee engagement.

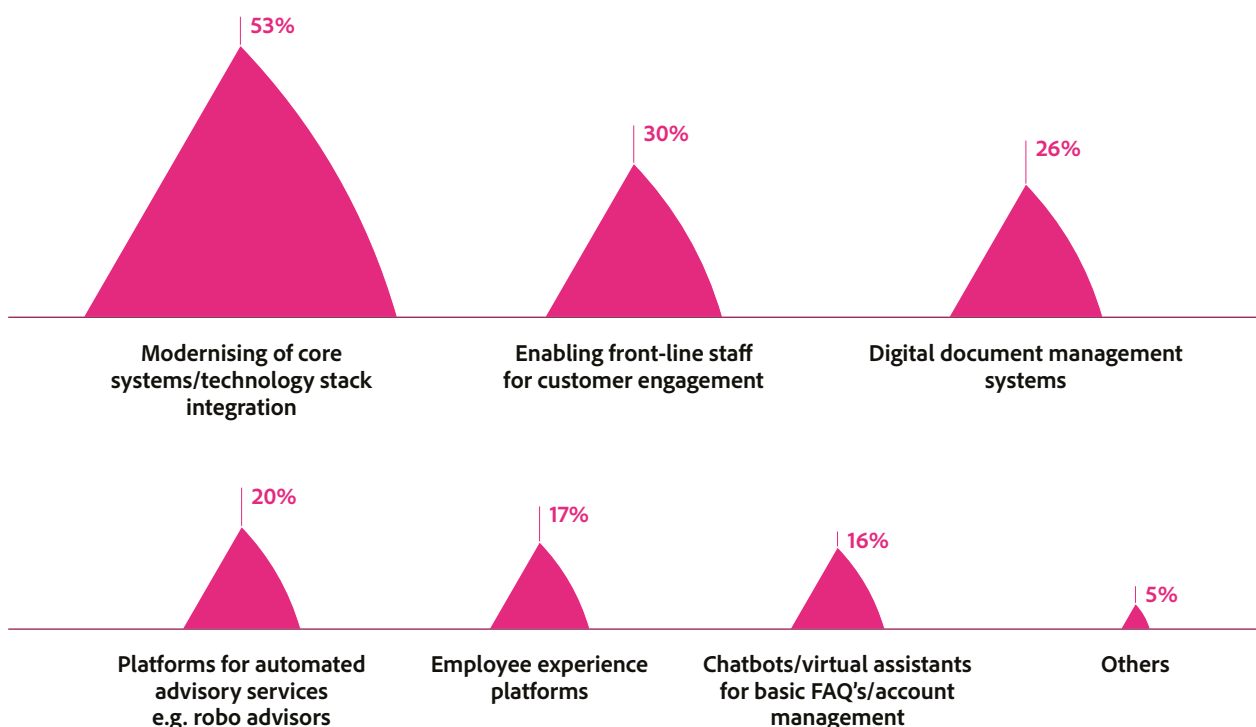
Behind the headline figure that Financial Services are prioritising the modernisation of their core systems,

there is a growing recognition that they need the tools at hand today, to manage a fully digitised financial services experience.

Finance is a stubbornly paper-based sector. Many insurers have only recently adopted optical character recognition (OCR) to allow them to digitally ingest paper-based documents such as invoices and claims estimates to speed up the often-drawn-out claims experience¹⁸. At the same time, a huge range of financial instruments – notably mortgage applications – rely on ‘wet signatures’.¹⁹

But there’s progress, driven by the forced branch closures in 2020. UK bank TSB released 18 digital forms at the height of the pandemic, and processed 80,000 signatures in only eight weeks after launch.²⁰ Perhaps unsurprisingly, a quarter of financial services executives in our survey said digital document management is a top-two focus for their organisation’s digital initiatives (*Figure 7*).

Figure 7 **What are the top two areas of focus for your organisation's digital initiatives?**



Respondents – 624

¹⁷ <https://www.marketingweek.com/launch-rbs-mobile-banking-brand-bo/>

¹⁸ <https://globalriskcommunity.com/profiles/blogs/optical-character-recognition-digitizing-the-insurance-industry>

¹⁹ <https://propertyindustryeye.com/wet-signature-still-required-for-mortgage-deeds-despite-land-registry-relaxations/>

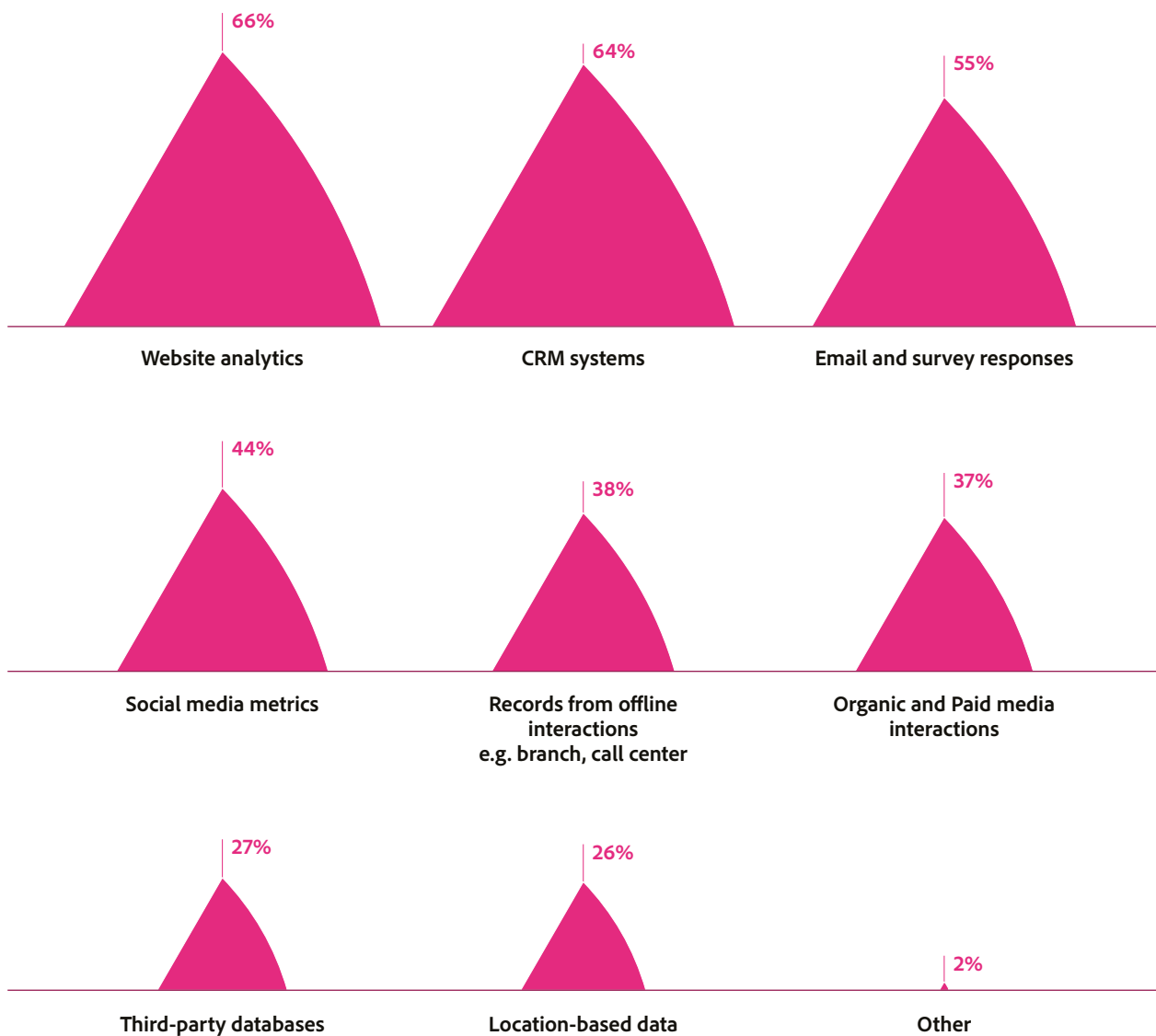
²⁰ <https://blog.adobe.com/en/2020/05/29/how-tsb-bank-accelerated-its-digital-first-strategy-during-the-covid-19-pandemic.html#gs.fih07c>

Automation as a whole is something that is sought after but not always flawlessly executed in financial services. According to *Figure 7*, Financial services and insurance executives are looking at self-service options such as robo-advisors (20%), chatbots or virtual assistants (16%). However, Forrester recently reported that only a minority of European and American consumers trusted the latter to manage even the simplest financial tasks.²¹ The analyst goes on to report that Bank of America, Capital One and Cline are leading the field in the use of virtual assistants but that the landscape remains sparse.

Delving into data

Underpinning any future success in integrated technologies or automation is, of course, data. Once again, the picture here is fragmented. *Figure 8* illustrates that while most financial services and insurance firms surveyed are using data from website analytics (66%) and CRM systems (64%) to craft connected, personalised customer experiences, many are overlooking data from their customers' offline experiences.

Figure 8 **Which of the following data sources does your organisation currently use to create connected, personalised customer experiences?**



Respondents – 547

²¹ <https://go.forrester.com/blogs/covid-19-stokes-the-chatbot-hype-in-financial-services/>

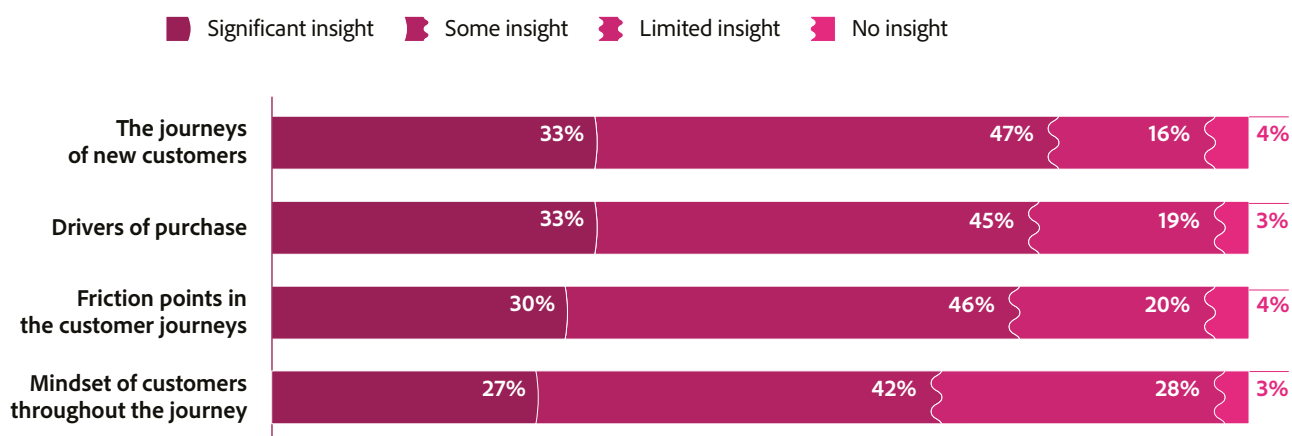


Just 38% say they are integrating records from offline interactions, such as branches or call centres. Separately, when asked to rate the importance of recording offline interactions, our survey found that only about half (47%) viewed these as 'critically important'.

Interestingly, as seen earlier (*Figure 6*), just 25% of responding companies identified a lack of customer insights as an obstacle holding back their marketing and customer experience initiatives. It is possible that many companies are overvaluing their competencies in this area and undervaluing the extent to which they should be considering to use different types of customer information.

To thrive in a highly competitive sector, executives must gain a deeper understanding of customer journeys. As detailed in *Figure 9* only a third of financial services and insurance companies say that they have 'significant insight' into the *journeys of new customers* (33%) or what *drives their purchase activity* (also 33%). Meanwhile, even fewer say they have 'significant insight' into the *friction points in the customer journey* (30%) or the *mindset of customers throughout the journey* (27%).

Figure 9 **To what degree does your organisation have insight into the following?**



Respondents – 312

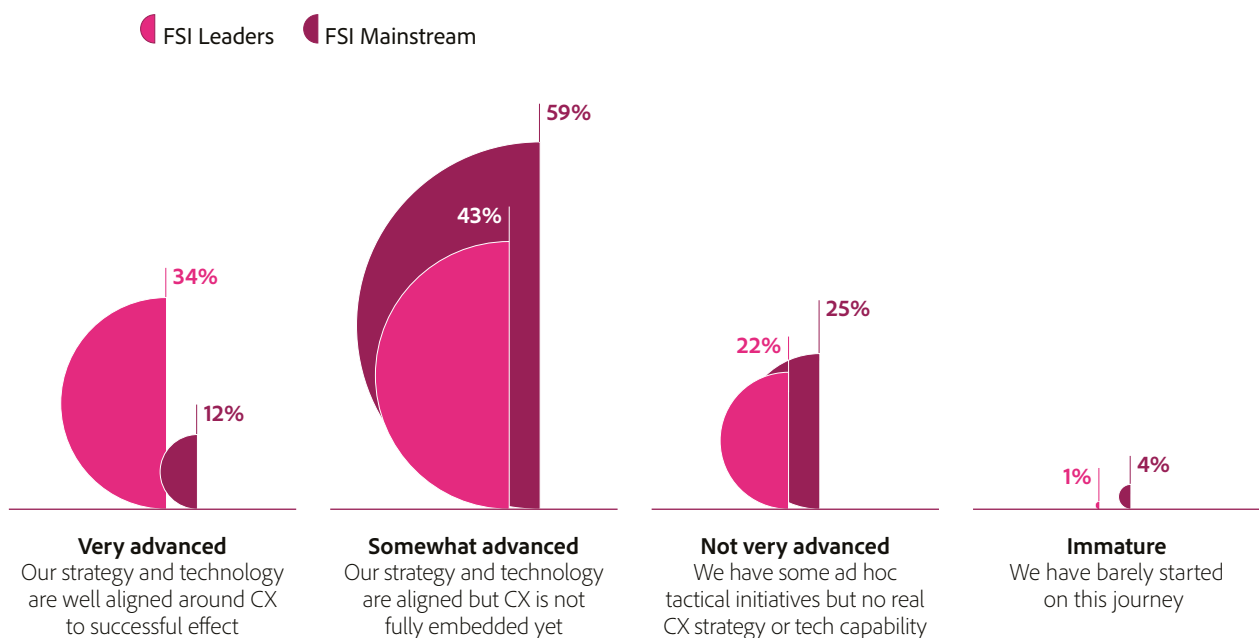
What differentiates top performers from the mainstream?

Our research has established that Financial Services are generally on the same page when it comes to digital innovation. Modernisation of core systems is key. But, what attributes separate the best performers from the rest?

To identify the characteristics of top performers we compared executives working in organisations that had significantly outperformed against their primary competition over the last six months of 2020 ('leaders') with those that had either slightly outperformed, kept pace or underperformed (the 'mainstream').

At first glance, a defining characteristic of top performers relates to their perceived CX maturity, with 34% of leaders rating their strategy and technology alignment to be very advanced compared to 12% of the Mainstream (*Figure 10*). The latter of which are more likely to regard it as 'somewhat advanced' (59% vs. 43% of Leaders).

Figure 10 **How do you rate your company's customer experience (CX) maturity?**

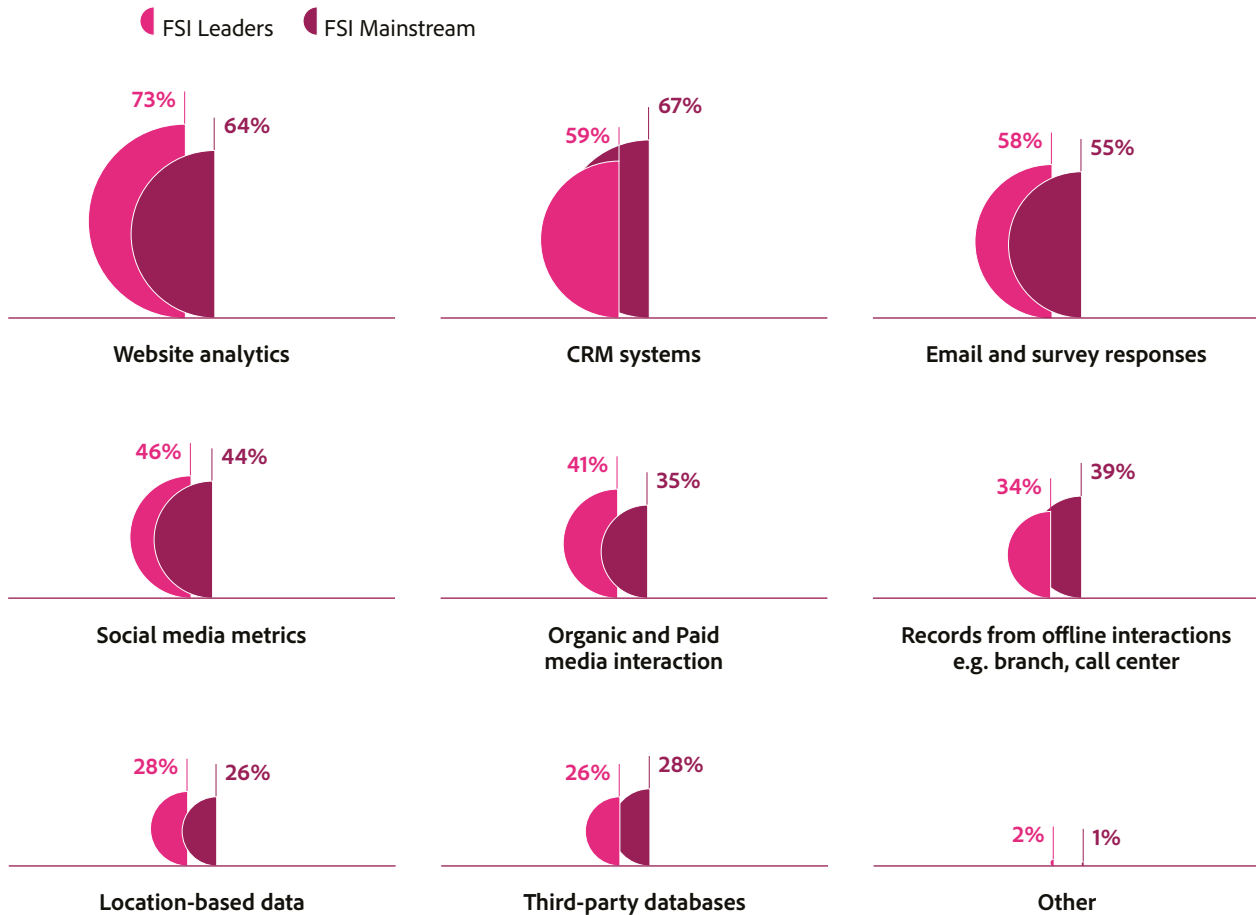


Respondents – Leaders: 128, Mainstream: 521

This confidence is perhaps not ill-founded. Earlier in the report, it was evident that a more 'scattered vendor' approach can act as a barrier to acquiring a full-spectrum view of the customer journey. Leaders are less likely to take this approach, with less than a quarter (24%) using multiple technologies compared to 28% of the mainstream.

Such approaches carry advantages in relation to the range of data sources top performers can tap to create connected, personalised customer experiences. As illustrated in *Figure 11*, Leaders are nearly 10 percentage points more likely than the Mainstream to use website analytics (73% vs. 64%). They are also more likely to use CRM systems (67% vs. 59%), email and survey responses (58% vs. 55%) as well as organic and paid media interactions (41% vs. 35%).

Figure 11 **Which of the following data sources does your organisation currently use to create connected, personalised customer experiences?**



Respondents – Leaders: 102, Mainstream: 408

It's unsurprising that top performing firms are more likely to be focussing on meaningful digital interactions as a top goal (55%) compared to the mainstream (49%). As we discovered earlier, the strongest performing brands of 2020 have offered empathetic and practical solutions to customers' challenges. By enabling a more complete picture of the customer, financial services and insurance firms are in a better position to offer content, products and services that are truly helpful.

Conclusions – Five key takeaways for financial services institutions

1. Focus on meaningful interactions, not just sales

Digital is a highly effective direct response channel with the ability to target a large audience quickly and accurately. However, customers crave more meaningful interactions with their financial services providers. The pandemic has revealed just how much more effort most people should put into ensuring good financial health. Financial Services should focus as much on their advisory and support roles as into their ability to sell new products and services.

2. Make managing the technological infrastructure an ongoing process

Many organisations have marked transforming their core technologies as a high priority. This, however, shouldn't be thought of as a radical, one-off project. Digital transformation can be done incrementally and needn't cause wholesale disruption to operations. Unifying technologies and additional digital capabilities can often be 'plugged in' to existing infrastructure. But be sure to maintain the discipline of a constant audit and be ready to refresh to make sure the stack is optimally configured for the business's needs.

3. Understand consumers' mobile needs

It is not enough to create a 'digital skin' for existing offline offerings. While there is not necessarily the need to create a separate digital-first entity, any innovations must be digital or mobile by design. This means adapting to meet mobile users' needs – real-time transaction information, interoperability with other apps, not just from the world of finance, and highly personalised.

4. Prioritise data

The key to digital transformation lies in customer data. Review current technological capabilities with a view to establish a flow of customer data across all channels, including offline interactions. Ensure data capabilities are up to the challenge of being managed by a hybrid working model going forward and explore how the cloud can facilitate this.

5. Don't lose the momentum from the pandemic

Along with a vaccine comes a much-anticipated return to normality. Much has been learned from the wholesale shift to online. While some solutions were jerry-rigged to meet the immediate demands of the situation, if they were not there before, foundations are now in place to advance Financial Services' digital capabilities. It will be up to leadership to make sure the appetite for transformation is maintained when the health-crisis has passed.

Methodology

Digital Trends 11th Edition is based on an online survey fielded to select Adobe and Econsultancy lists in the fourth quarter of 2020. The survey closed having collected 744 qualified responses from the Financial Services and Insurance (FSI) sector.

Demographics profiles

- Sixty nine percent of all the responses were at manager level or above.
- In terms of business function, marketing and IT held the largest share of respondents (22%), followed by creative/design (11%), and analytics (9%).
- As defined by target market, those addressing both markets equally accounted for 43%, followed by B2C (34%) and B2B (23%).
- The sample is global, with Europe providing the largest share of respondents (37%), followed by North America (30%) and the Asia-Pacific region at 22%. The survey was translated into French, German, and Chinese.
- 32% of the respondents were from retail banking companies, followed by insurance (28%), and wealth management (15%).

