



FIVE STEPS to digital transformation

Make DX a strategic and investment priority

Take a business-driven approach

Fully utilize the potential of data and analytics

Adopt an enterprise-wide approach

Strike the right balance between people and technology

Digital transformation (DX) is the talk of boardrooms and it sits at the top of corporate agendas across all industries worldwide. It is being brought about by the myriad of technologies, including cloud, data and analytics, machine learning or cognitive computing. As part of a worldwide survey of 573 top executives, Forbes Insights and Hitachi surveyed 77 financial industry executives to explore their views on and progress in digital transformation.

The Forbes Insights and Hitachi survey revealed the five universal steps to digital transformation: making DX a strategic and investment priority, taking a business-driven approach, fully utilizing the potential of data and analytics, adopting an enterprise-wide approach and striking the right balance between people and technology.

These five steps hold true for the financial services industry, but the industry stands out with its strong focus on the customer. Often in a tough position with its extremely sensitive customer data, an intense regulatory environment and technology infrastructures that can be a patchwork of legacy networks, the industry is breaking through with a laser-like focus on the customer. "Digital transformation is figuring out what the customer needs and then providing technologies that are required to deliver those services," says Simeon Preston, Chief Operating Officer of AIA, a leading life and health insurer in Asia.

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DIGITAL TRANSFORMATION IS A TOP STRATEGIC & INVESTMENT PRIORITY

More than a third of financial institutions (39%) expect to undergo a major digital transformation over the next two years and emerge as significantly different companies. By making digital transformation its top strategic and investment priority over the next two years, the financial industry is in sync with all other industries.

In fact, the financial industry sees digital transformation as a more urgent priority than other industries overall, and is planning to invest more in digital transformation. (See Chart) Ninety-one percent of companies in the financial industry will increase their budgets for digital transformation over the next two years compared to 82% for all industries.

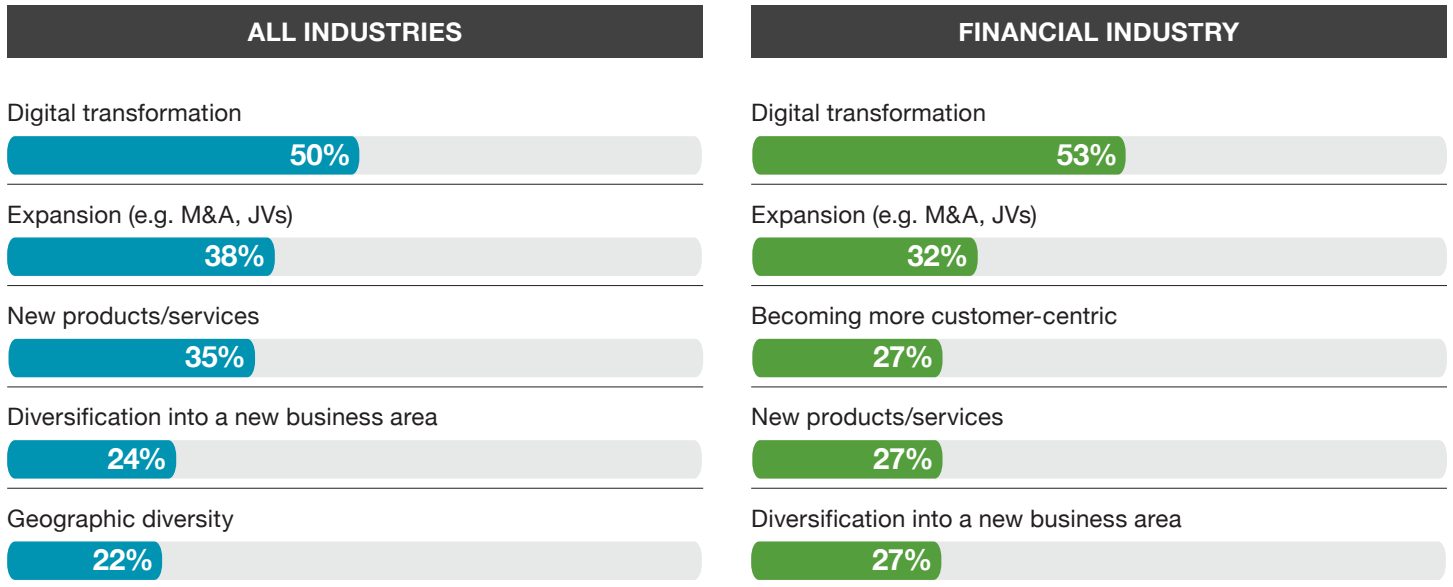
For many financial institutions digital transformation is a bigger and more cumbersome undertaking that it is in other industries. Many firms have been cobbled together via global mergers and acquisitions which have left them with many different legacy technology platforms. This means that the digital

transformation in the financial industry has often been running on two parallel tracks. New applications and infrastructure have been installed while at the same time the old systems were being dismantled and replaced.

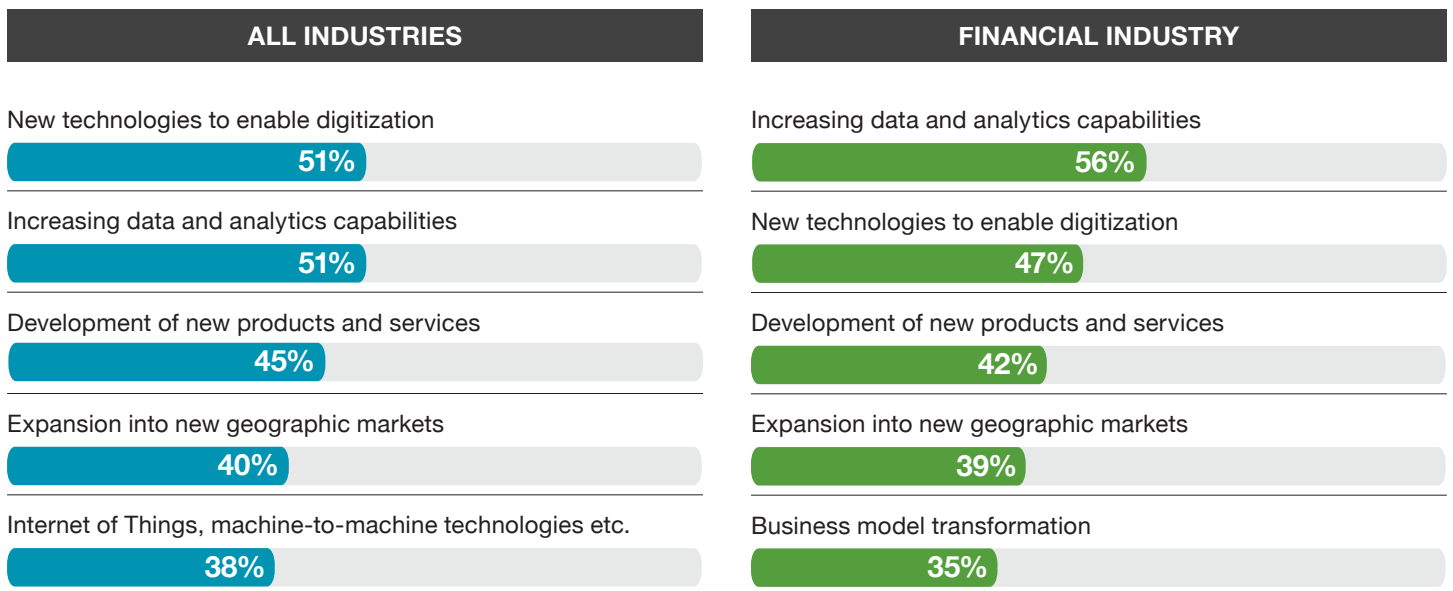
There is also a difference in the investment focus for digital transformation in the financial industry versus all industries. The digital transformation in the financial industry will revolve around the customer. Becoming more customer-centric is one of the top five strategic priorities in the financial industry, and this focus is strongly reflected throughout all findings about the industry.



TOP STRATEGIC PRIORITIES FOR THE NEXT TWO YEARS



TOP INVESTMENT PRIORITIES FOR THE NEXT TWO YEARS



CUSTOMER-RELATED METRICS ARE TOP MEASURES OF DIGITAL SUCCESS



The financial industry measures its progress in digital transformation by how well it serves its customers, with customer acquisition and engagement being the top two measures. In contrast, industries overall adopt a more general approach and judge their progress by revenue and margin growth. (See chart)

For Aviva, a British multinational insurance company, the number of registered customers is one of the top digital metrics the company is tracking. It also tracks the number of products and revenue transacted online. The key to gaining online customers is to make site navigation easy for them, and keep improving. Every time AIA sees that a customer

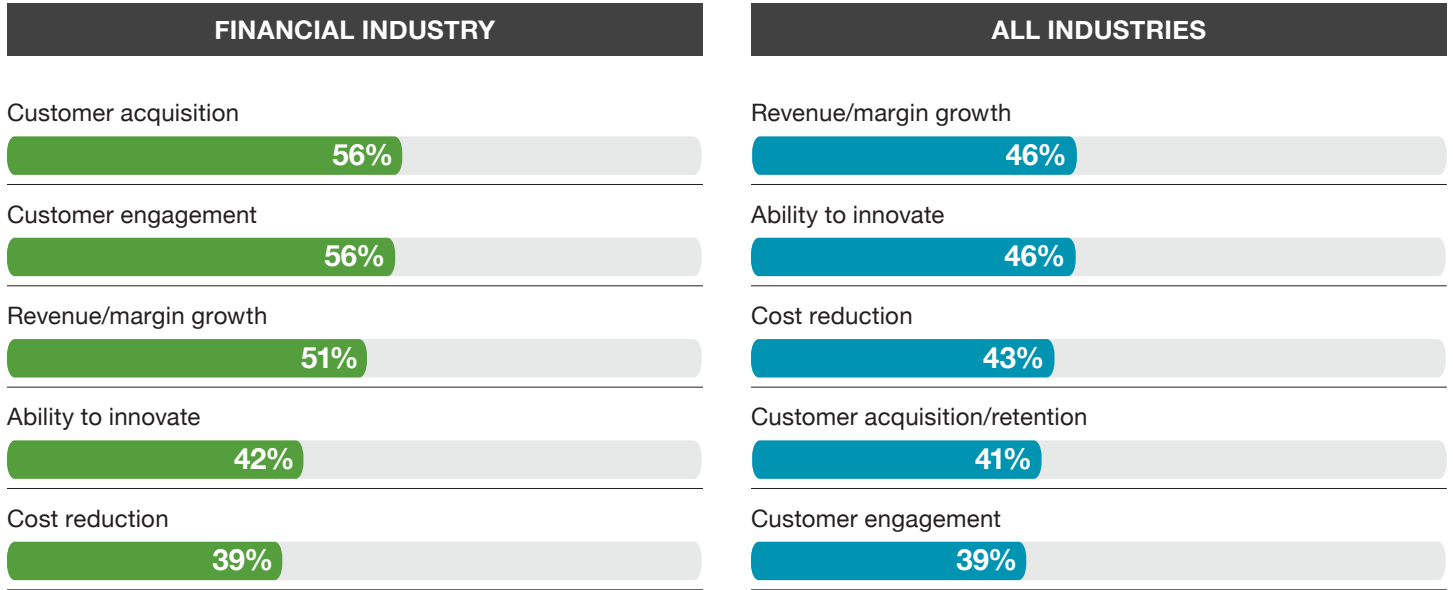
has become stuck, they correct the problem. “Those are just little things, but they actually make a really big difference for our customers,” says Monique Shivanandan, Group CIO of Aviva.

Preston stresses that satisfying an Asian customer is tougher than in other regions of the world because Asia leapfrogged western markets in terms technology adoption. Many people never had a landline telephone but have gone straight to mobile, and now have access on 3G or 4G networks. “To be relevant to them we need to deliver services in a modern digital way,” he says.

With such focus on the customer and careful tracking of customer-related metrics, it should not come as a surprise that customer related areas are where financial industry companies have seen the most positive results thanks to digital transformation. More than half of financial companies have already seen success in customer acquisition (52%) and customer engagement (51%), while the corresponding numbers for industries overall are 39% and 38%.



TOP MEASURES OF THE PROGRESS OF DIGITAL INITIATIVES



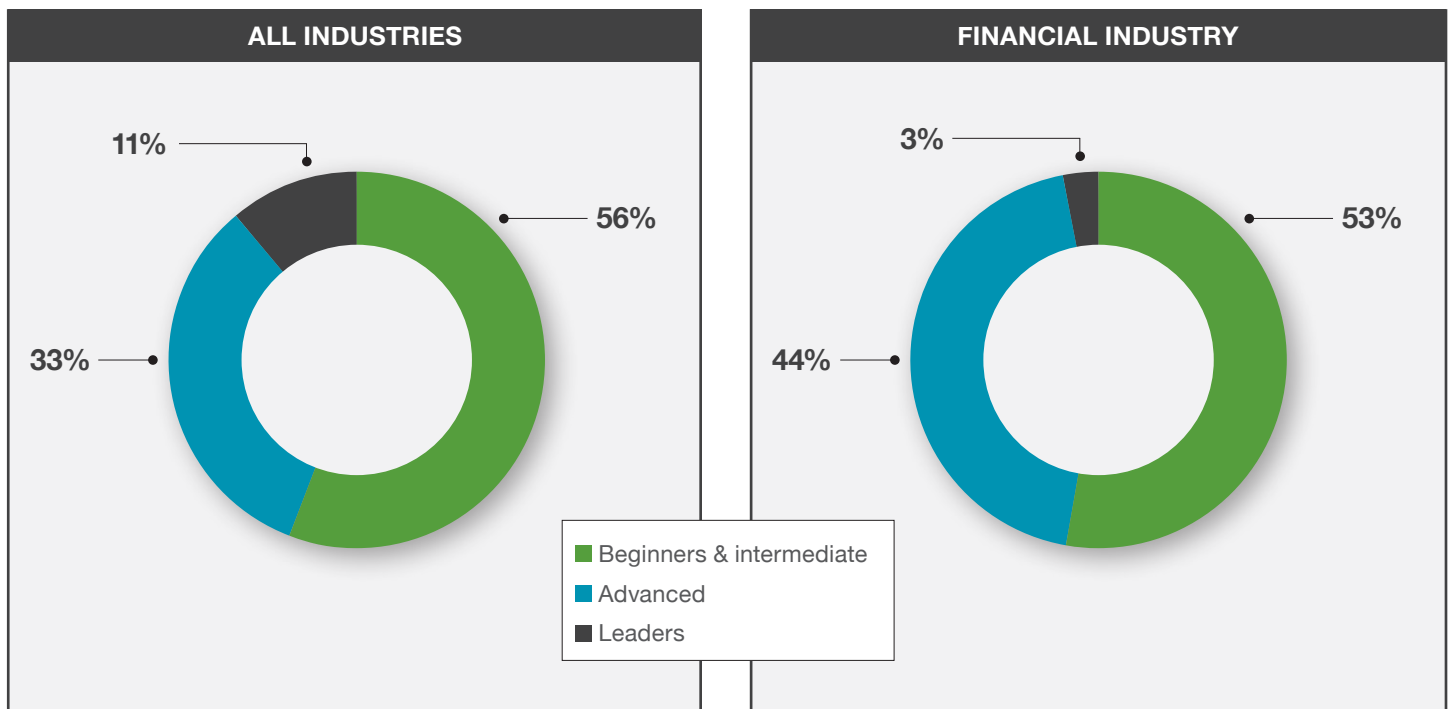
GROUND TO MAKE UP IN DATA AND ANALYTICS

The financial industry is planning to invest mostly in data and analytics, as opposed to general technologies to enable digitization as is the case with industries overall. This may be because currently just 3% of financial industry companies consider themselves leaders in data and analytics compared to 11% of all companies surveyed.

Improving data and analytics capabilities is crucial to better serve customers, both in terms of data protection as well as generating insights from customer data. While the industry is numbers-heavy itself, Aviva's Shivanandan

points out that successfully utilizing customer data will require changing the frame of mind. "Insurers looked at data from a product basis versus a customer basis. We're now using data to understand each customer's situation."

LEVEL OF MATURITY IN DATA & ANALYTICS



ORGANIZATION NEEDS TO CATCH UP WITH DIGITAL TRANSFORMATION

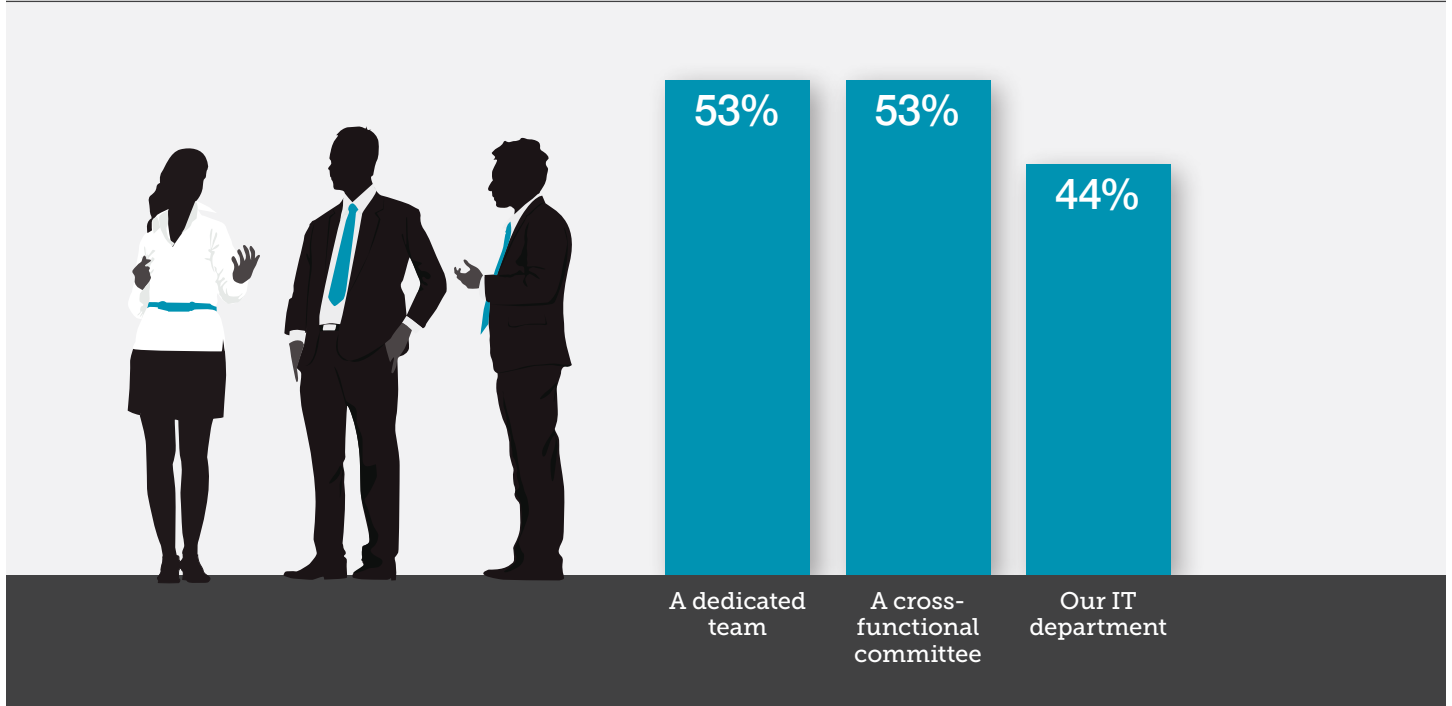
As is the case in all industries, the financial industry has not yet figured out how best to balance talent and capabilities with technology. Technology is seen as a top contributor to success (57%) with talent trailing at 23%. Meanwhile executives agree that the right balance between technology and people is the top driver of success.

Part of the reason for these issues with balancing technology and people is that digital transformation is often implemented by the IT department, without enough collaboration with line of business executives. For example, setting the digital strategy often involves dedicated or cross-functional teams. But when it comes to implementation,

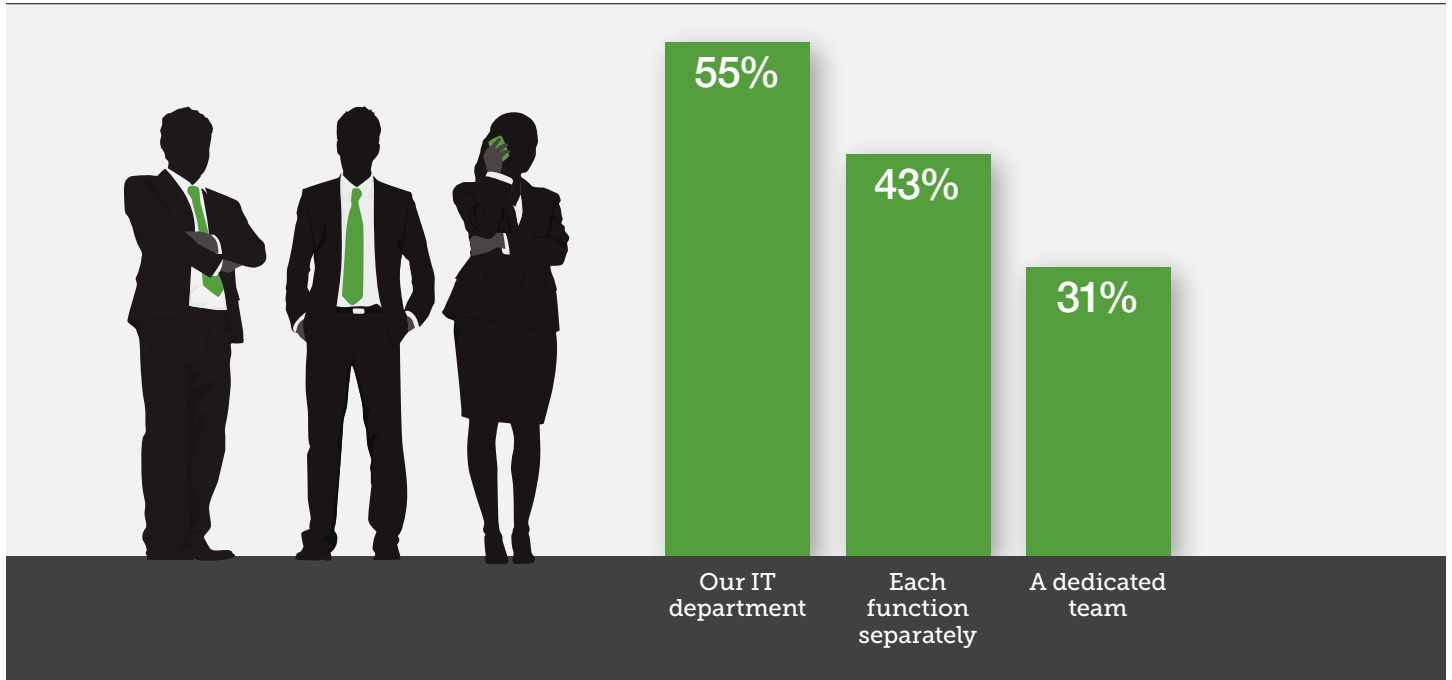
the onus rests mostly on the IT department. While it's IT that implements the technologies, other functions often do not "stay around" to collaborate with IT about how best to make solutions optimal for the business. "Transforming the experience for the customer starts with transforming our corporate culture," says Shivanandan.



LEADERS OF DIGITAL STRATEGY



LEADERS OF DIGITAL IMPLEMENTATION



THE NEXT TWO YEARS WILL BE CUSTOMER-DRIVEN

In keeping with its focus on the customer, the majority of the digital transformation in the financial industry will happen in its relationships with customers, while industries overall will be focusing on innovation in general.

Financial executives stress that in order to improve their customer relationships, they need to take a comprehensive approach and transform how they think and operate. “We are trying to change the world here, and doing that very much through the business-led lens. This is not a bunch of technology folks just dreaming up new ideas. We

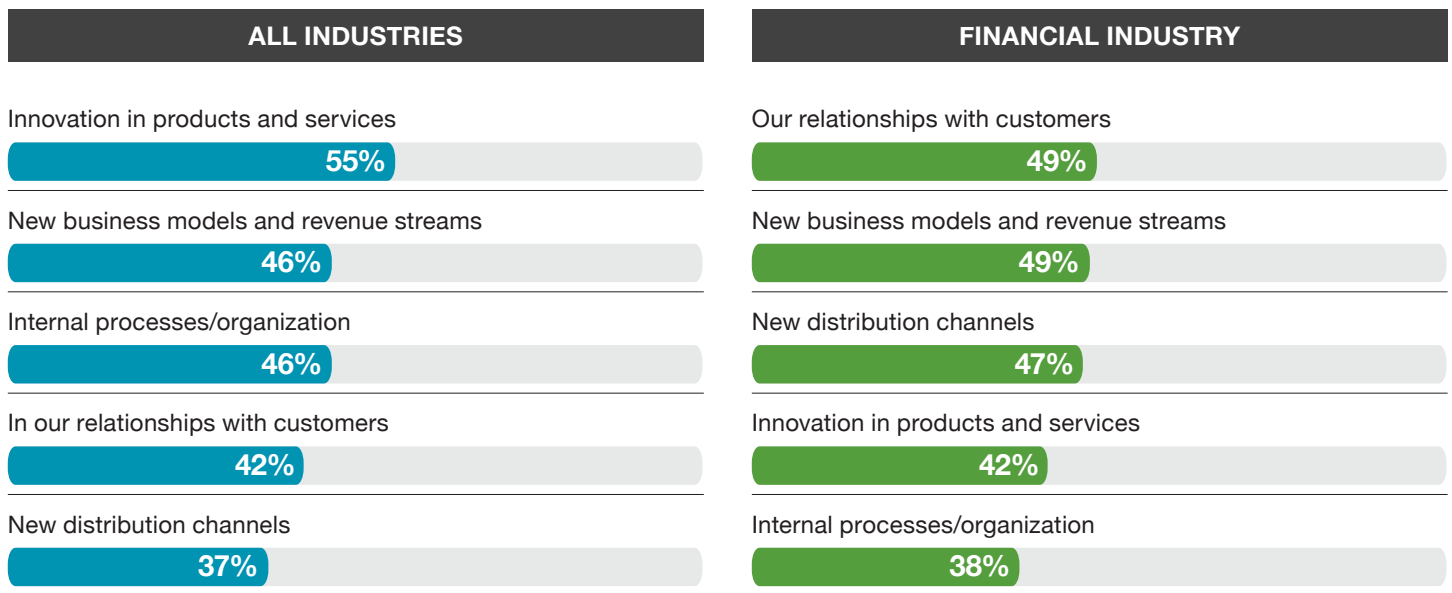
are looking at what the business needs to deliver for the customer and then working backwards into what we need to do on the technology side, across all aspects of it: architecture, infrastructure, applications, data security, to empower our business and to better serve the customer,” says Preston.





FINANCIAL EXECUTIVES STRESS THAT IN ORDER TO IMPROVE THEIR CUSTOMER RELATIONSHIPS, THEY NEED TO TAKE A COMPREHENSIVE APPROACH AND TRANSFORM HOW THEY THINK AND OPERATE.

AREAS OF FOCUS FOR DX OVER THE NEXT TWO YEARS



Forbes Insights and Hitachi would like to thank the following executives for sharing their time and insights with us:

- **Simeon Preston**, Chief Operating Officer, AIA
- **Monique Shivanandan**, Group CIO, Aviva

Based on a survey of 77 financial executives from enterprise-size companies from North and Latin America, Europe and Asia-Pacific. Eighteen percent were CEOs, another 18% were CFO, 13% were CIOs and 10% were CTOs. The majority of the rest were other C-level executives. The study also includes analysis from one-on-one interviews with financial executives.

Their responses and ideas were compared with the overall result of a survey of 573 executives from enterprise-size companies worldwide. The majority of respondents were chief executive officers (23%), chief technology officers (20%) or chief information officers (15%). Apart from the financial services industry, they represented a wide range of industries including technology and services (21%), telecommunications (10%) and healthcare (10%).

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