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# Embracing cloud transformation: Benefits for the financial services industry in Australia and New Zealand

Google Cloud

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Deloitte Access Economics

# Executive summary

The COVID-19 crisis accelerated digitisation across Australia, New Zealand and the rest of the world. Households, businesses, governments and other organisations had to adapt quickly to changing conditions – operating remotely and devising new ways of working and servicing customers.

The **financial services industry performed strongly** during the COVID-19 crisis, and was one of a handful of sectors experiencing growth in Australia and New Zealand. Finance businesses across various sectors including retail banking, insurance, superannuation and wealth management that entered the crisis with advanced adoption of digital tools were well-placed to succeed, and could build on their digital solutions and operate successfully in an environment of increased customer inquiries, remote working and better use of data to inform decision making. Firms reported the biggest benefits of digitisation as being: (i) enabling performance during COVID-19 (ii) improving customer experiences and (iii) engaging with employees.

The **economic recovery** in 2021 and 2022 will bring new challenges for financial services firms. Lower overall industry revenue growth (forecast to be 2.4% this year) will force finance leaders to look hard for growth opportunities. Incumbent businesses will face off against emerging players that are entering the market to take advantage of opportunities.

In the medium term, the finance sector faces further regulatory change and ever-rising scrutiny of their social and environmental performance.

**Digital innovation** will play a major role in the future of the finance sector in Australia and New Zealand in coming years. Already, during the crisis, 89% of finance businesses surveyed for this study saw their use of data analytics, artificial intelligence and machine learning increase. 4 in 5 firms used innovative technologies to improve the customer experience. Financial services businesses increased their employment of ICT workers in 2020 by over 6,000, more than any other industry (except for the one that includes technology businesses).

**Newer, smaller, market entrants** are leading the technology drive, using their tech spend to improve operational efficiency (60%), innovation (44%) and increasing revenue (44%).

**Cloud technology** underpins a range of digital innovations, enabling better data analytics, business innovation, and new applications in machine learning and artificial intelligence. But not all businesses understand the power of cloud, with many businesses hoping to digitise their customer channels – communications and personalisation – but don't have the matching plans to lift cloud use.

New economic analysis for this research points to the financial benefits of cloud. Businesses leading cloud adoption saw a revenue growth rate of 75% in 2020, compared to 29% for the most cloud-lagging businesses.

Cloud technology is set for growth in coming years. According to IDC data, financial services industry cloud spending in Australia and New Zealand is set to grow to $US3.1 billion by 2024 – more than double its level in 2020.

However, financial services businesses cite a **range of barriers** to digital and cloud adoption. Almost half of financial firms indicated limited trust in data and 40% identified issues with leadership or strategy for adopting cloud technology.

Overall, this research finds significant opportunity to lift cloud adoption in Australia. A new **five-level cloud maturity framework** based on firm performance across seven domains finds that a 21% of financial services business are on the bottom two levels – 'cloud laggards' and 'cloud followers', and just 6% are 'cloud leaders'. industry leaders in the two categories. Over half of firms indicated that data is not informing all decision making and say that while they have a strategy to transition to cloud they have **made little progress in implementing their cloud strategy**.

# Key actions for business

**Three actions** can help financial services businesses lift cloud maturity:

1

**Invest time:** Making sure that leaders across the firm understand the benefits of cloud and can ensure buy-in to the transformation strategy. This means explaining the applications of cloud (AI, Machine Learning, IoT) and communicating the efficiency, scale and realisability benefits of digital systems. Firms should compare themselves to other industries to understand what others are doing with cloud technology.

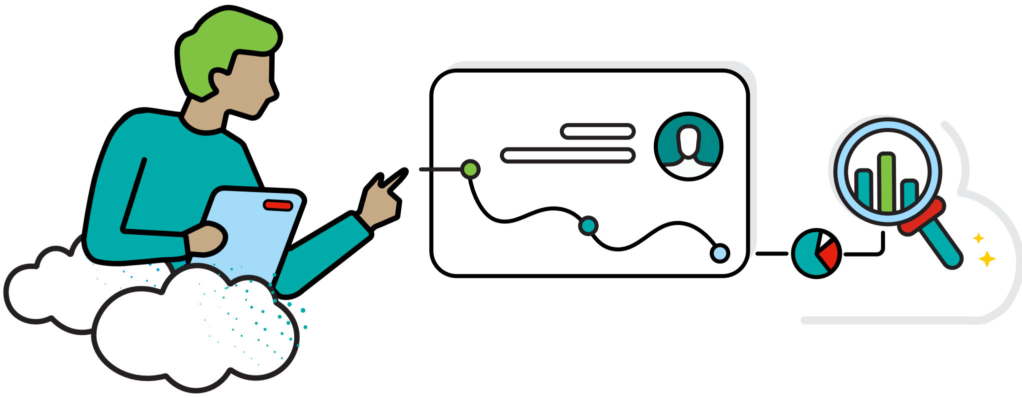
2

**Track success:** Ensure that leaders track success and firms should benchmark themselves against other. Across the sector, cloud leaders are using both technology-based KPIs and revenue-based KPIs to track processes, ensure this is done annually as technology changes rapidly. It means judging the impacts across several areas including employee engagement, innovation, and reliability, not just cost reduction.

3

**Roadblocks and barriers:** Be aware of common roadblocks and barriers to cloud adoption. For many businesses, it's underlying issues like data quality and legacy systems which are stalling progress. Tacking these issues from the ground up can ensure that they don't become roadblocks later on. If firms are struggling to make the case for a big change to be in the cloud with key data and applications, consider shifting certain parts of business activity to solve particular defined problems.

# Cloud-enabled digital technologies bring new ways for the sector to connect with customers and employees, and will drive competition across the sector.



## The benefits of digitisation

The businesses benefits of digitisation, ranked number 1 by financial services leaders:

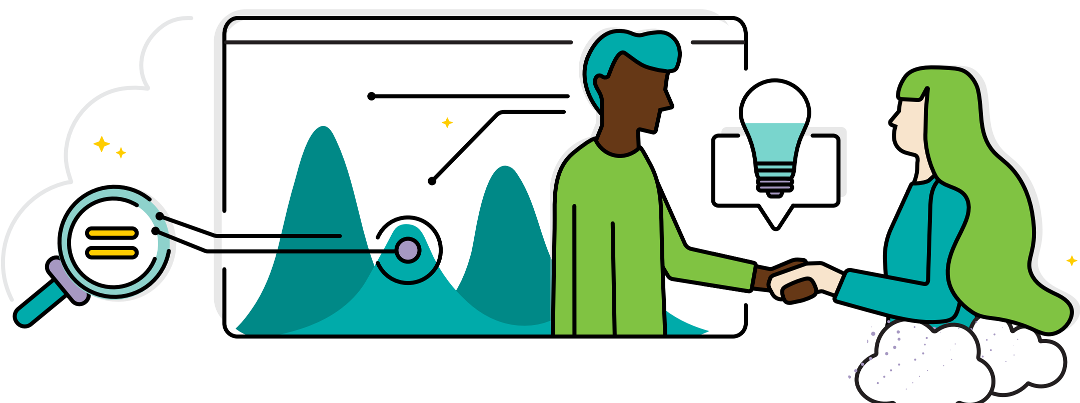
- Making business services more adaptable to **COVID-normal** settings — **23%**
- Improving the **customer** experience — **16%**
- Increasing **employee** engagement — **18%**

**89%**

**of businesses increased their use of data analytics, artificial intelligence or machine learning in 2020**

## What are businesses using cloud for?

- Integrating **customer data** with internal systems — **84%**
- Developing **new products & services** — **82%**
- Improving **customer experiences** — **77%**
- Developing **cloud apps** — **76%**



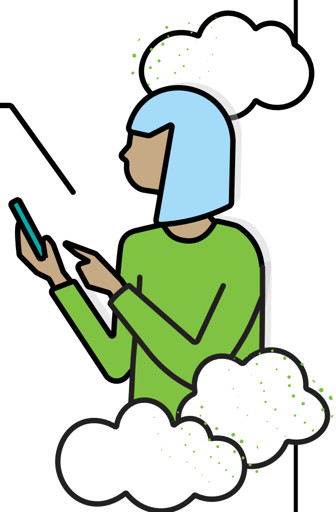
## What's driving tech spending?

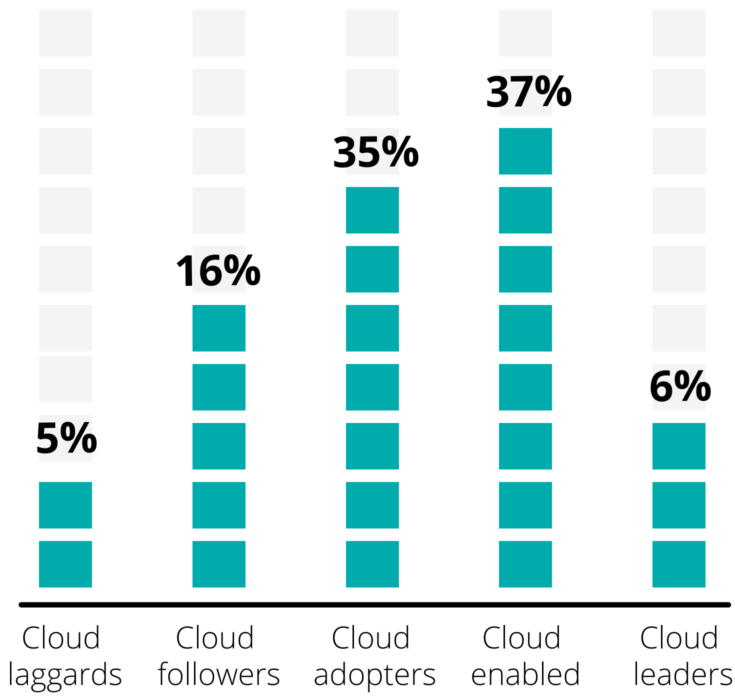
- Improving operational **efficiency** — 60%
- Driving **innovation** — 44%
- Increasing firm **revenue** — 44%

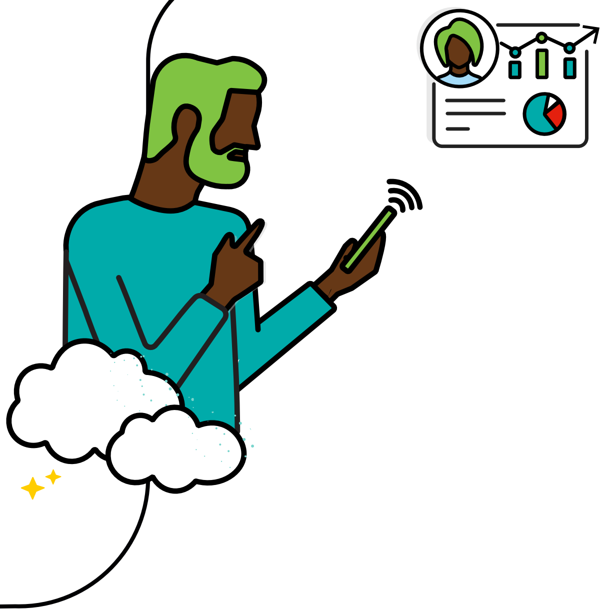
New entrants are **1.6x** more likely to use cloud-enabled technologies for enable digital communication with customers

## Cloud-enabled digital maturity

While most businesses are using cloud for some functions, an elite group is leading the way





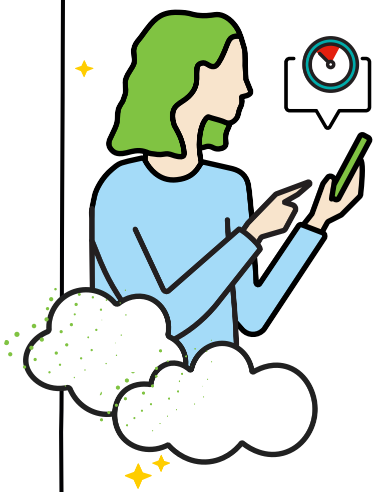


## Need for progress

**40%** of businesses are completely data-led,using analytics to inform all decision making

**44%** of businesses have a strategy to transition however have made no progress

**1 in 4** have no plan to transition to cloud at all.



## What's measured is managed

**44% of businesses want to be advanced cloud users by 2024**

Businesses with a cloud plan are actively measuring progress:

- **67%** increasing the skills their tech workforce
- **60%** using revenue-based KPIs
- **20%** using technology-based KPIs

**100%** of cloud leaders have put their technology leaders in charge of spending.

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# Introduction

## The financial services sector across Australia and New Zealand is well accustomed to change.

Business are responding to new regulations and structural change, like implementing Open Banking. The sector is also responding to the evolving expectations of customers, by taking action on climate change and working to increase the diversity in their workforce.

Even before COVID-19, the sector recognised the role of digital technologies in enabling their competitive success and their understanding of customers. The disruptions of 2020 accelerated this digitisation.

And while the financial resilience of the sector across 2020 demonstrates the benefits of digitally-enabled business, this strong 2020 performance leaves less room for a bounce-back across 2021.

For businesses to navigate an increasingly complex competitive environment, the sector will need to keep adapting. Much of that digital adaptation will rely on cloud-enabled technology – like AI, machine learning and large-scale data analytics.

It is in this context that Google Cloud engaged Deloitte Access Economics to research the state of financial services and the role of cloud-enabled digital technologies in supporting businesses to achieve these goals.

This research is informed by:

- A survey of business leaders in Australia and New Zealand (as discussed in the following box)
- Various datasets from IDC, the Australian Bureau of Statistics, Statistics New Zealand and other sources
- Consultations with a range of business stakeholders, including AustralianSuper, Insurance Australia Group (IAG) and ANZ Bank

## This report

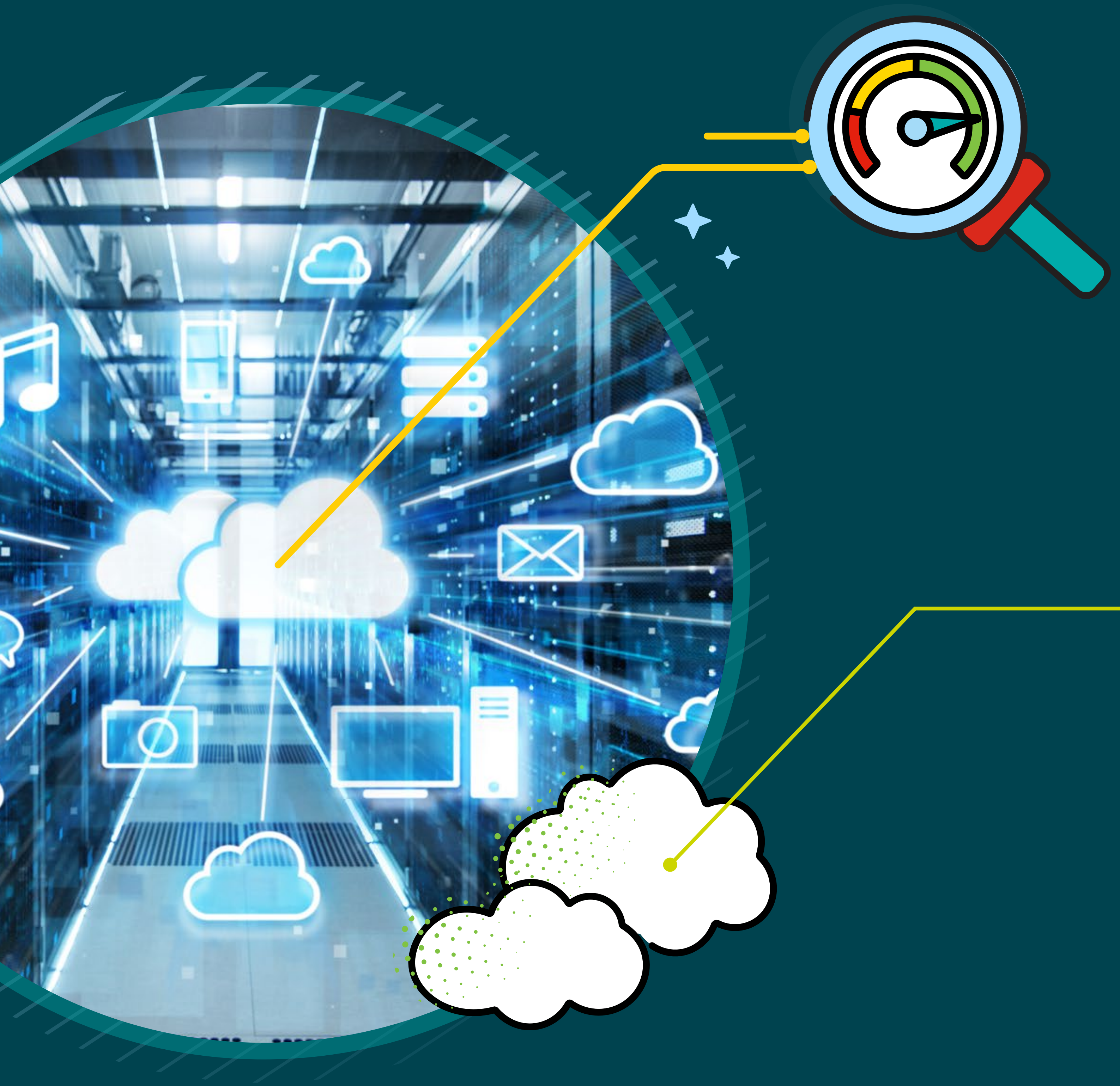
Google Cloud engaged Deloitte Access Economics to assist them in researching the state of financial services and the role of technology, particularly cloud services, in Australia and New Zealand.

## The survey

The report is informed by a survey of 62 financial services firms operating in Australia or New Zealand in March 2021.

Survey respondents were individuals who are currently employed as financial directors, managers or board members, across all jurisdictions. The business leaders surveyed work across the retail banking, investment banking, wealth management, insurance and superannuation subsectors.

Figures contained in the report relate to surveyed businesses, unless otherwise specified. As such, results may be representative of just the surveyed population.



# 1 | State of the sector

## Financial services in Australia and New Zealand

# Financial services businesses continued to operate in a complex environment

## The top concern among firms is meeting society's broader expectations – reflecting customers' increasing focus on institutions' social impact as well as their financial performance

The financial services sector will be shaped by its response to the many challenges posed by its complex operating environment, as well as its response to COVID-19.

Financial services leaders see the major non-financial challenges facing their businesses as meeting society's broader expectations of their institution (60% of firms ranked this in their top 3 issues), improving performance around sustainability and climate change (52%) and dealing with an evolving regulatory environment (52%).

Comparing the top concerns of new entrants and incumbents shows distinct differences in focus (chart page 17). Some 70% of incumbent businesses were concerned about meeting society's broader expectations of their business, and 30% of incumbent businesses ranked this as their biggest concern – compared to 18% of new entrants.

While incumbents are more concerned about improving their performance around climate change, diversity and inclusion appears as a major point of focus for new entrants. 1 in 4 new market entrants ranked improving diversity and inclusion as their primary non-financial challenge, compared to 1 in 25 incumbent businesses.

**New businesses and incumbents also ranked the technology-related challenges differently.** Emerging competitors like Neobanks and FinTechs are known for their ability to compete using a technology-enabled service offering. These new entrants were less likely to have lower level of concern around implementing Open Banking – perhaps reflecting an existing strength in managing consumer data.

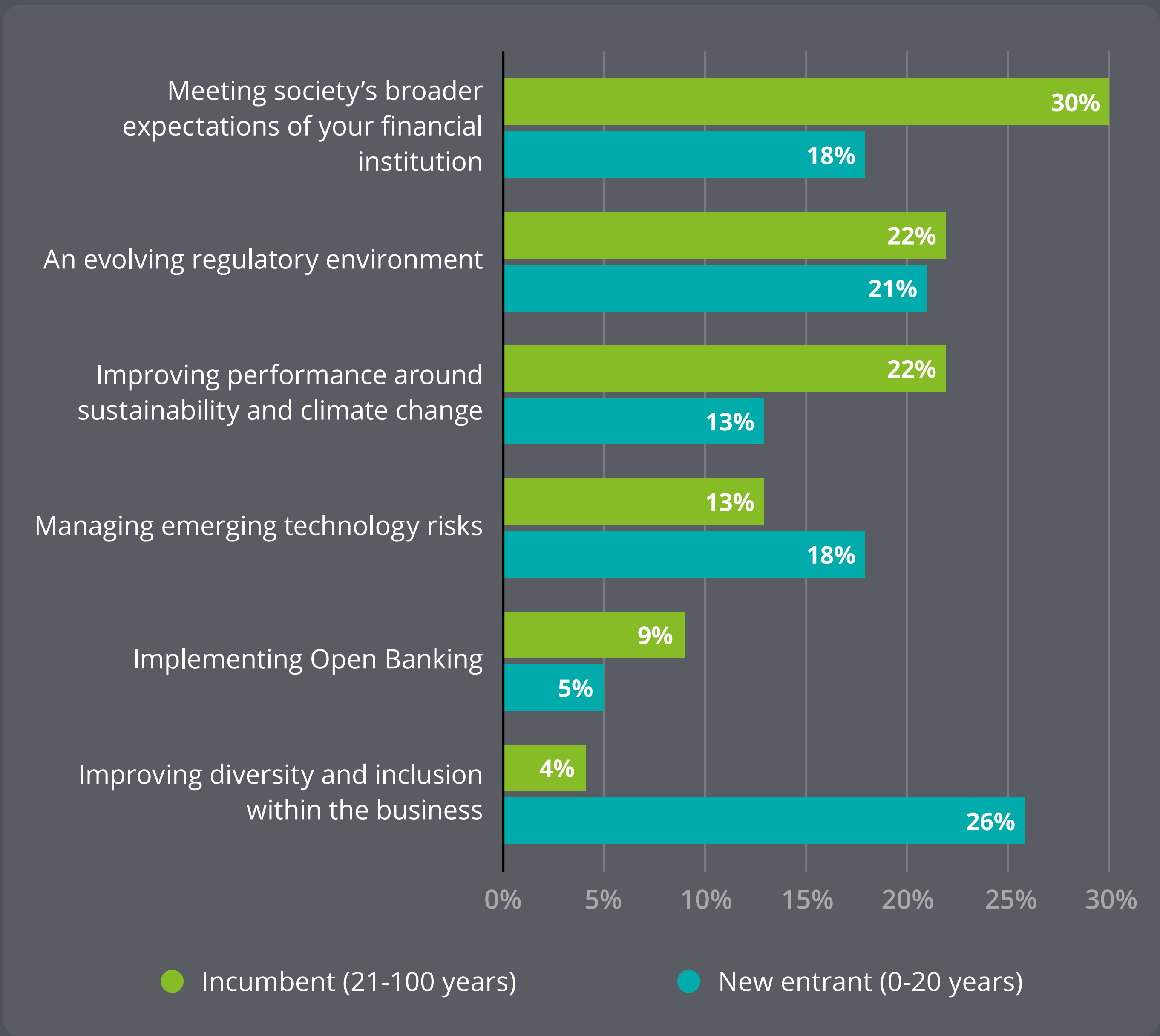
Businesses will need to respond to new regulations and structural changes to the sector – like implementing Open Banking. They're also concerned about their social impact, including meeting growing expectations that they lead the way on climate change action and increase diversity in their workforce.

New businesses' relatively higher level of concern about technology risks could reflect their stronger reliance on these technologies to remain competitive.

For the financial services sector, cloud-enabled technologies can support more connected interactions with customers and employees, and are expected to remain a point of differentiation and driver of competition across the sector.

## Top non-financial challenges facing financial services businesses in 2021

Share of incumbents and new entrants that ranked each issue number 1




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *What is the biggest non-financial challenge facing your business in 2021?*

# COVID-19 brought major operational change to the finance sector

## The financial services sector has been disrupted by operational restrictions, households' economic recovery and low interest rates, with incumbents and new entrants affected differently

Across Australia and New Zealand, the financial services sector proved resilient to COVID-19. While in both markets, the financial services sector outgrew the economy overall in 2020, the disruptions associated with lockdowns, recessions and changing customer needs have added complexity to an already competitive market environment.

- One in four incumbent businesses were most concerned with households' recovery from COVID-19, compared to one in 12 new entrants – perhaps reflecting incumbent businesses' greater exposure to household debts.
- New market entrants saw operating under COVID-19 restrictions as their biggest financial challenge.

When asked about the biggest commercial challenges facing their businesses, financial services leaders rank highly both the operational impacts of COVID and their financial implications.

The most common concern was operating in a low interest rate environment, with 60% of financial services leaders ranking this in their top 3 challenges.

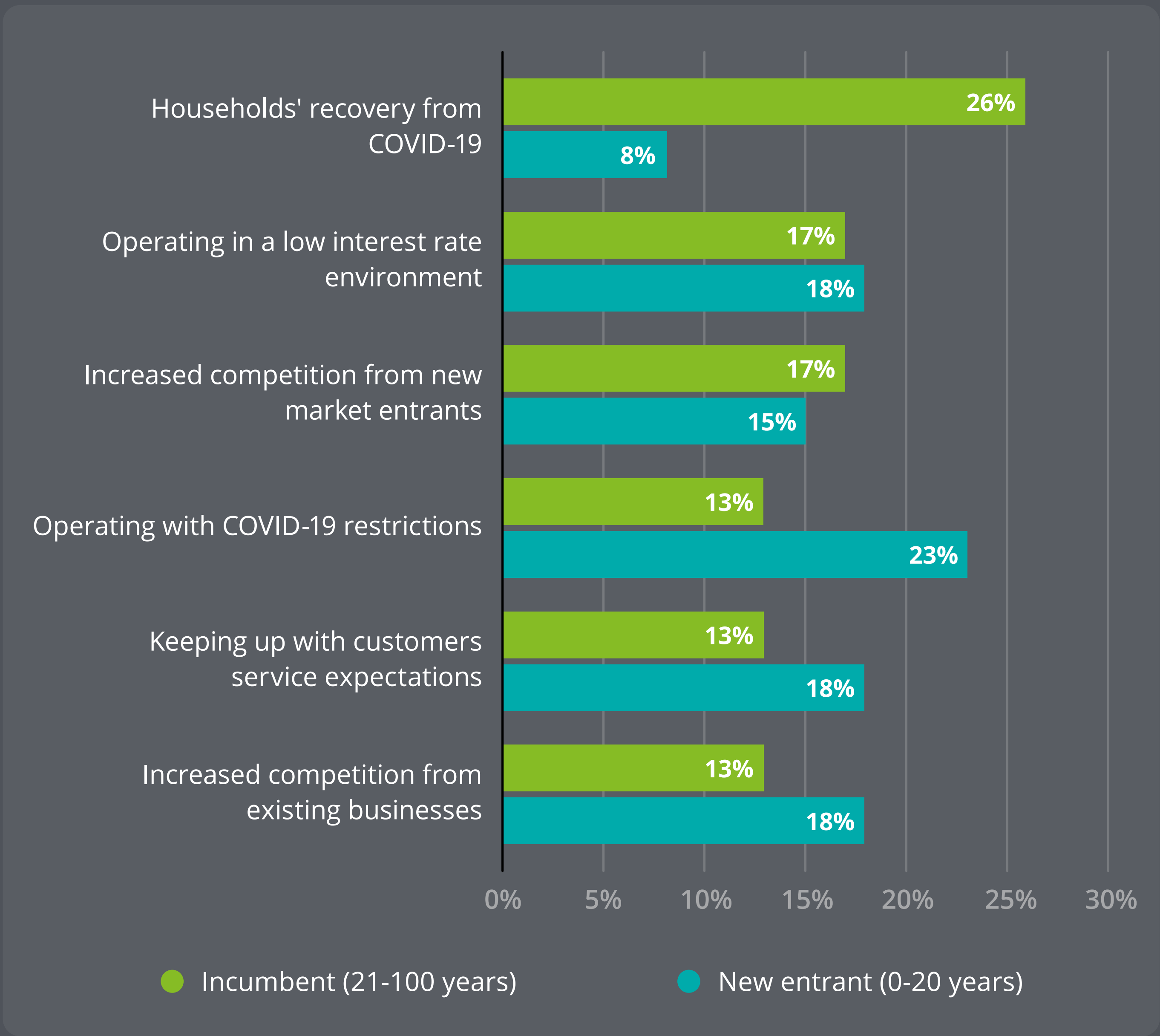
More than half (53%) of financial services leaders saw keeping up with customers' expectations as a major challenge, and both old and new businesses saw risks of increased competition from both incumbents and new entrants to their sector.

The top-ranked concerns for incumbent businesses (founded more than 20 years ago) vary from those of new market entrants (founded in the last 20 years):

- While these businesses might have fewer brick-and-mortar premises, new entrants were more than three times as likely than incumbent firms to increase the size of their customer-facing workforce as a result of COVID-19.

For both new and incumbent businesses, cloud-enabled digital technologies will play a critical role in helping the financial services sector tackle these financial challenges – by enabling engagement with customers, supporting operational efficiency, driving innovation and managing risk.

**Top commercial challenges facing financial services businesses in 2021**
Share of incumbents and new entrants that ranked each issue number 1




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *What is the biggest commercial challenge facing your business in 2021?*

# Australia's financial services sector proved resilient across 2020

The sector was the second largest growing in 2020, although there remain risks to revenue as firms adapt to changing regulations and an evolving competitive environment

In 2020, the financial services industry continued to cement its status as one of Australia's largest. The sector was the second largest growing in 2020 (chart page 21), far outperforming the Australian economy overall (-2.4%).

This performance was in part driven by Australians' rising bank balances in 2020.

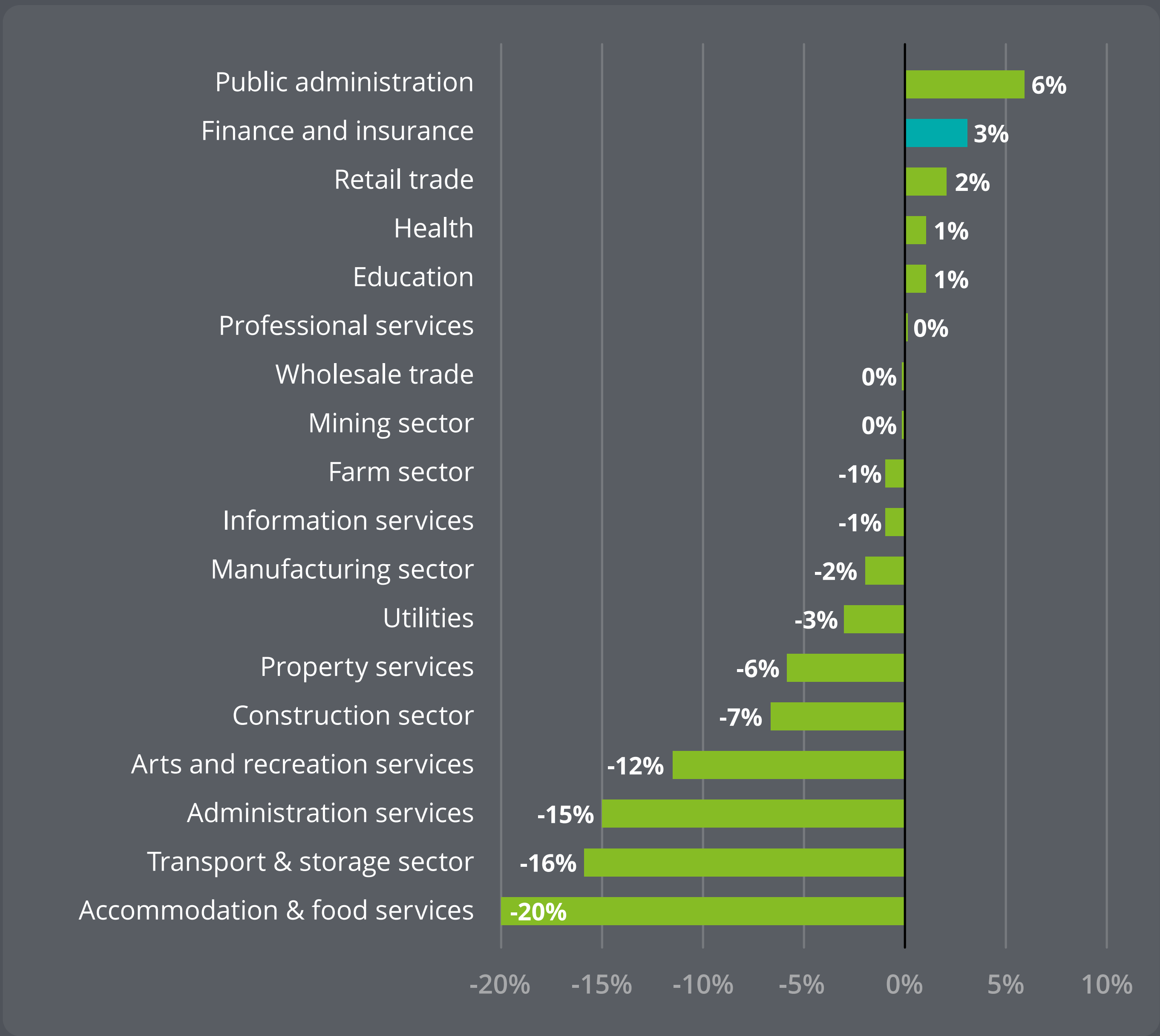
Lockdowns led households to save more of their incomes, some Australians accessed money from their superfunds under the early release scheme, and some saw the impact of increases to social welfare payments like Newstart. Banks are also starting to see the impact of households' recovery from the recession. After peaking at roughly $250 billion in mid-2020, the value of loan deferrals has fallen roughly 70%, as customers recommence payments.

**The whole of the sector has proven resilient, a strong financial performance in 2020 leaves less room for a bounce-back across 2021. In navigating COVID-normal business, the sector will need to keep adapting to changing conditions.**

- For **banks**, several challenges to profit margins are looming. There are financial challenges – like rising costs given a reliance on foreign sources for wholesale funding – as well as the impact of changes to regulation. Rising house prices would see authorities require banks to curb their lending via a range of controls, while implementing changes to responsible lending laws could create reputational risk.
- For **superfunds**, the early release of superannuation scheme saw an estimated $38 billion taken from funds – a disruption that is expected to have long-run effects. Alongside this, the legislated increases to compulsory super contributions are planned to commence next year, though if delayed, this would see a loss of revenue from fees.
- Pressure on the **insurance** industry has eased as both consumers and businesses settle into COVID-normal trading. While the value of gross written premiums fell during the pandemic, the industry has benefited from reduced claim numbers for personal lines, with more people staying home and out of harm's way.

The standout profitability of financial services businesses – from retail banks to FinTechs trading in retail forex, could see increased attention from regulators and drive heightened competition across the sector.

## 2020 growth rates by industry



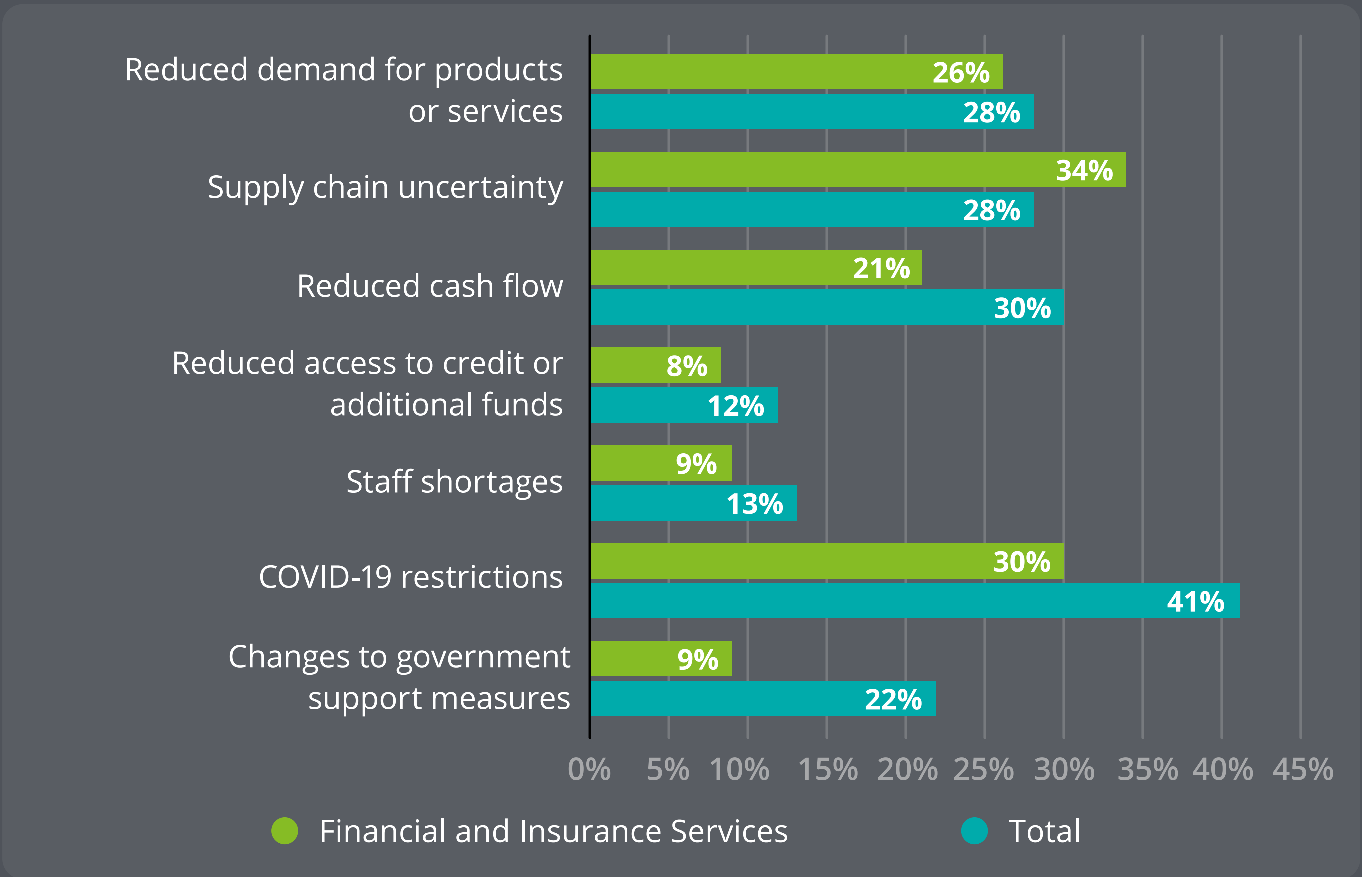

**Source:** Deloitte Access Economics Business Outlook (March 2021)

# The sector's resilience reflects its ability to leverage digitisation

## The sector is now experiencing less disruption than the Australian average, with growth in the ICT-skilled workforce reflecting the sectors' rapid adoption of digital businesses

**A year into COVID-normal operations, the financial services sector is experiencing less disruption than the Australian economy overall.** The chart below shows that on all measures except supply chain uncertainty, fewer financial services firms are experiencing COVID-related operating impacts, relative to the all-industries average. In March 2021, four in five (70%) of businesses in the financial services sector saw their revenues stay the same or increase on the previous year.

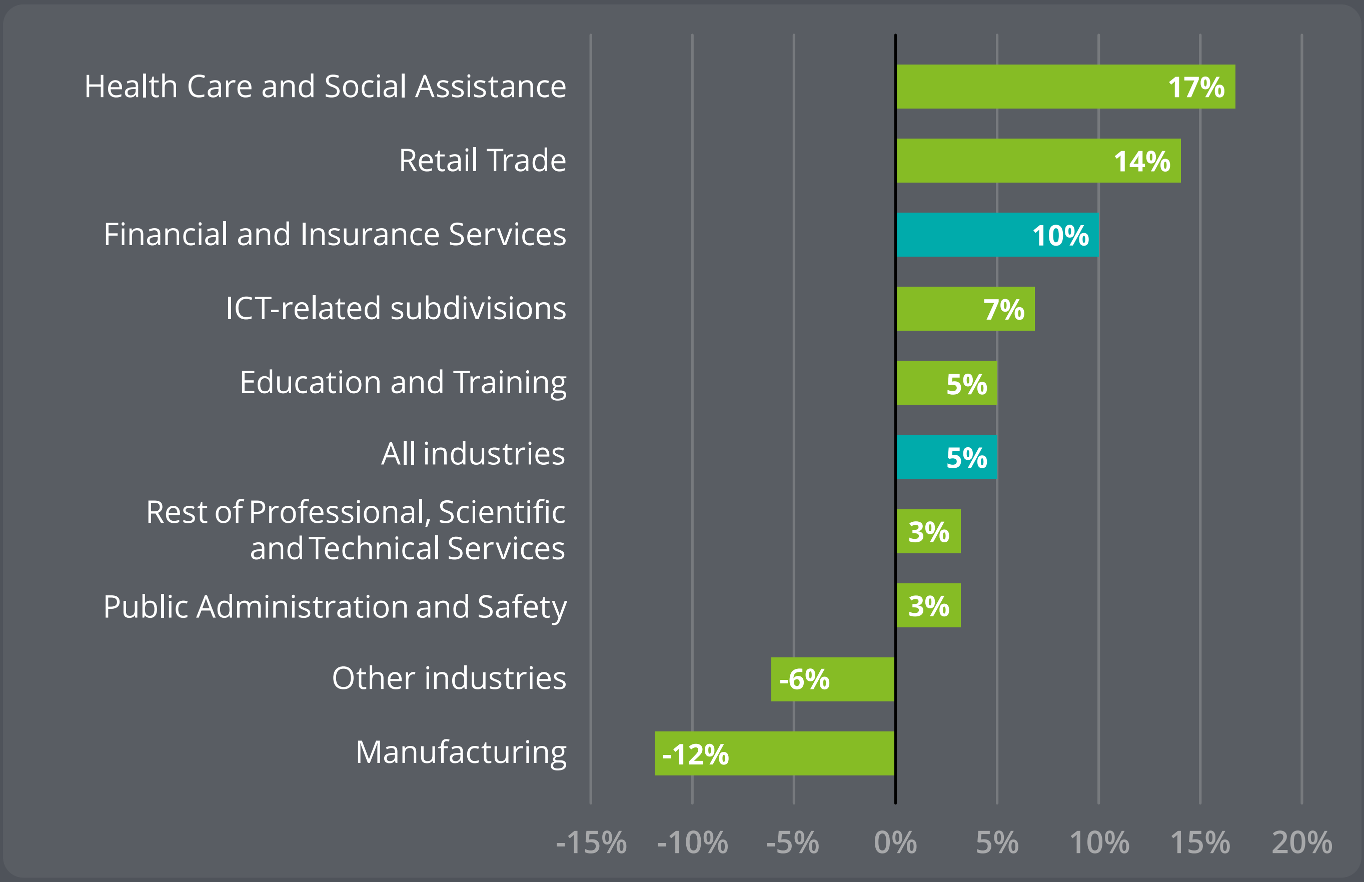
**Factors significantly impacting businesses, February 2021**
(share of businesses experiencing disruption)




**Source:** ABS, Business Conditions and Sentiments, *February 2021*

**The rate of growth in the employment of tech workers reflects the sectors' rapid adoption of digital businesses across 2020.** For the finance industry, the pandemic led to an acceleration in the pace of growth of the technology workforce compared to previous years. Technology employment in finance grew at a faster pace in 2020 at 9.7%, compared to an average rate of 8.5% between 2014 and 2019.

## Growth in ICT workforce during 2020, by industry




**Source:** Deloitte Access Economics (2021) *Australia's Digital Pulse*

# New Zealand's financial sector is also showing signs of resilience

## While the financial services sector's contraction in 2020 was relatively lower than the national average, the extent of disruption is expected across subsegments given pre-COVID conditions

In New Zealand, the impact of COVID-19 on different segments of the financial services sector is varied, driven by differing pre-crisis conditions and their exposure to disruption:

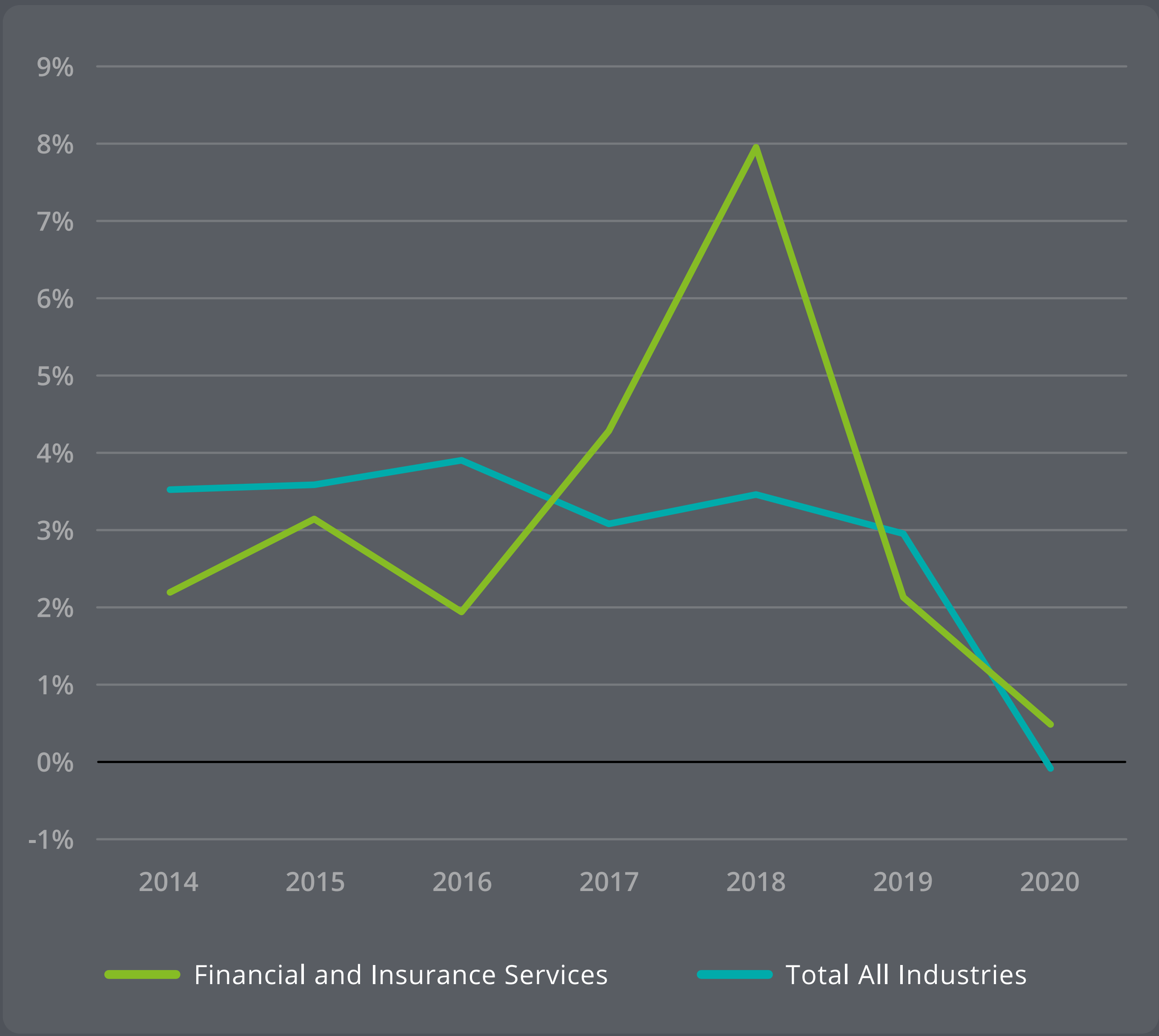
- In the **banking** sector, the winding-back of government support measures and loan deferrals is expected to drive loan losses and lower profitability, with banks increasing their provisions in anticipation. Lending standards have been tightened for new business borrowers and sectors acutely affected by the pandemic. Regulation and increased capital requirements has been for banks to focus on core activities, so business leaders must look to other sources of growth such as through personalisation of services.
- For most **insurance** businesses, the claim effects of COVID-19 remain modest, through risks vary. Insurers offering credit protection, loan repayment and redundancy insurance may be exposed to greater risk.
- **Financial markets** continue to show resilience. Progress in the payments industry will increase settlement speed, and record more information per transaction.[1]
- Lower interest rates have increased investor interest in equity markets, attracting new entrants to **wealth management**.

Like the experience of other sectors, COVID-19 has increased the use of digital channels, as seen in remote working and servicing customers online. Reflecting this, further branch closures have occurred and branch hours been reduced. Cheques have been withdrawn (or are in the process of being) by most major banks in NZ. This reflects the on-going shift toward more digital organisations and customer interactions.

The New Zealand economy is expected to continue to recover well from the COVID-19 downturn and this will be further supported by the full re-opening of borders, most likely in 2022. This will assist with the growth of the financial sector.

[1] Source: NZStats *Business operations survey*

## New Zealand GDP and Financial Sector output, 2014-2020




**Source:** NZStats (GDP(P), Chain volume, Seasonally adjusted, ANZSIC06 industry groups)

# COVID-19 accelerated innovation in New Zealand financial services businesses

## The sector will need to continue to adapt to meet changing regulatory requirements around fees, consumer data, cyber resilience and climate change

Regulatory reforms and policy measures are focused on ensuring the future resilience of the financial sector and include:

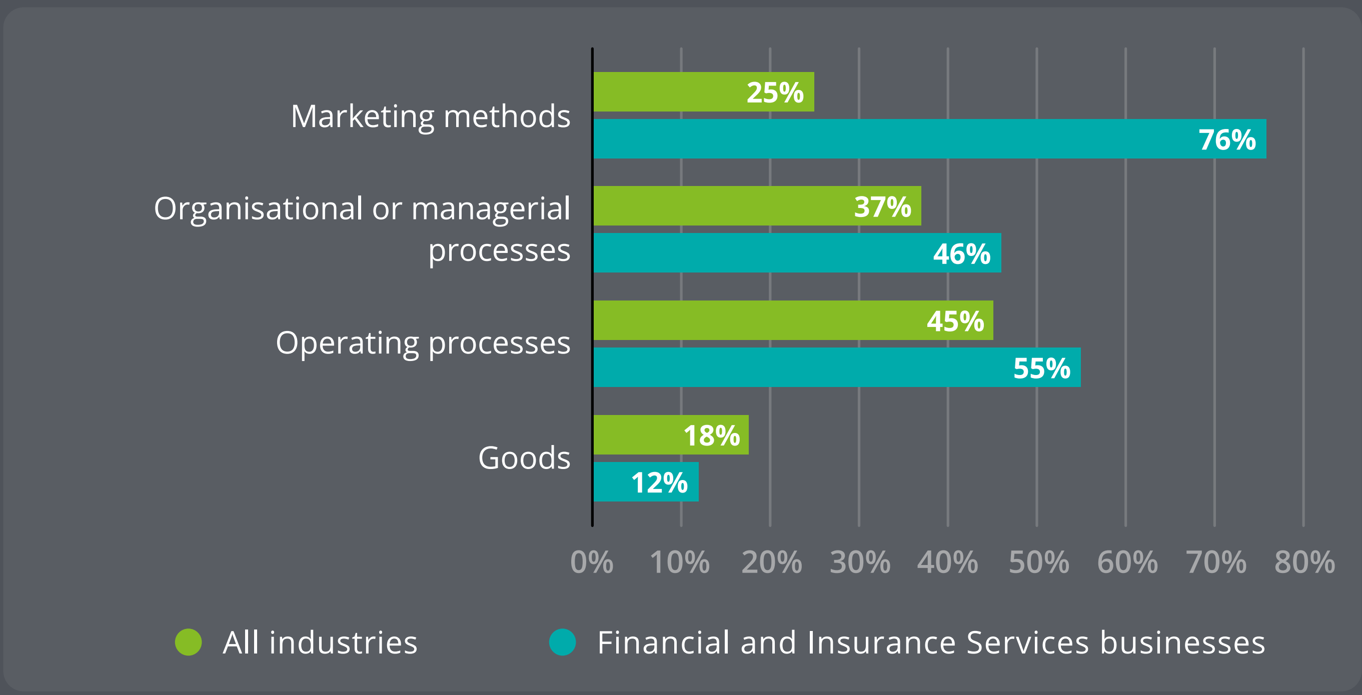
- Reinstating **loan-to-value ratio (LVR) restrictions** in early 2021 to tackle housing affordability challenges.
- Introducing a mandatory **climate-related financial disclosures** regime.
- Improving the **cyber resilience** of the sector, following a recent series of denial-of-service cyber attacks on high-profile sites including NZX.
- Establish a **consumer data right (CDR)** for the sector to give users greater control and choice over the use of data, which is expected to encourage innovation and competition, including the adoption of Open Banking.[1]
- A review of **merchant service fees**, which has been a significant point of focus during the rise in cashless transactions during COVID-19 trading.

With the highest rate of businesses remaining fully operational during lockdown, the financial sector responded by investing in operational innovations. The national business operations survey shows that the financial services industry outperformed the all-industry average in terms of innovation across marketing, management processes, and operations.

The financial services sector saw the largest share of firms (19%) fully operational at COVID-19 Alert Level 4 – this is more than double the all industries average (9% of all firms were fully operational during New Zealand's level 4 lockdown).

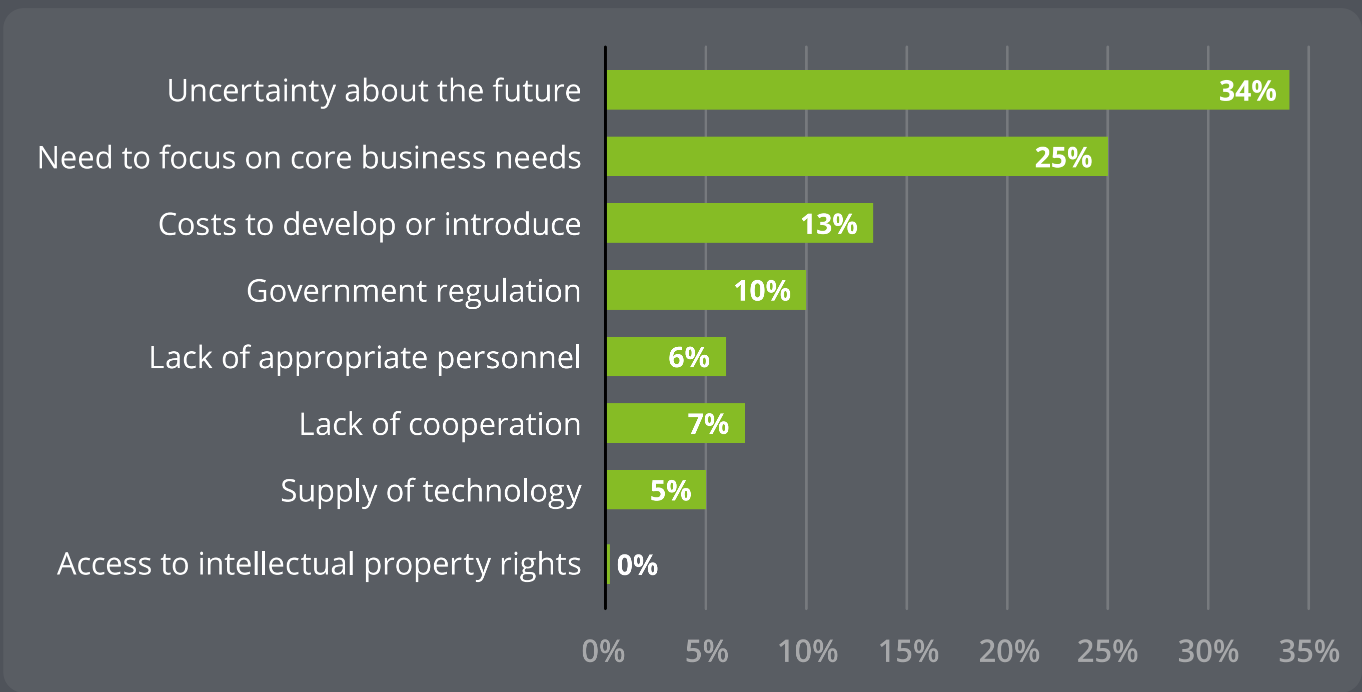
[1] Source: NZStats *Business operations survey*

## Domains of businesses where COVID-19 led firms to innovate
(share of firms)




**Source:** NZStats *Business operations survey*

## Barriers faced by New Zealand firms in adapting to COVID-19
(share of firms)




**Source:** NZStats *Business operations survey*

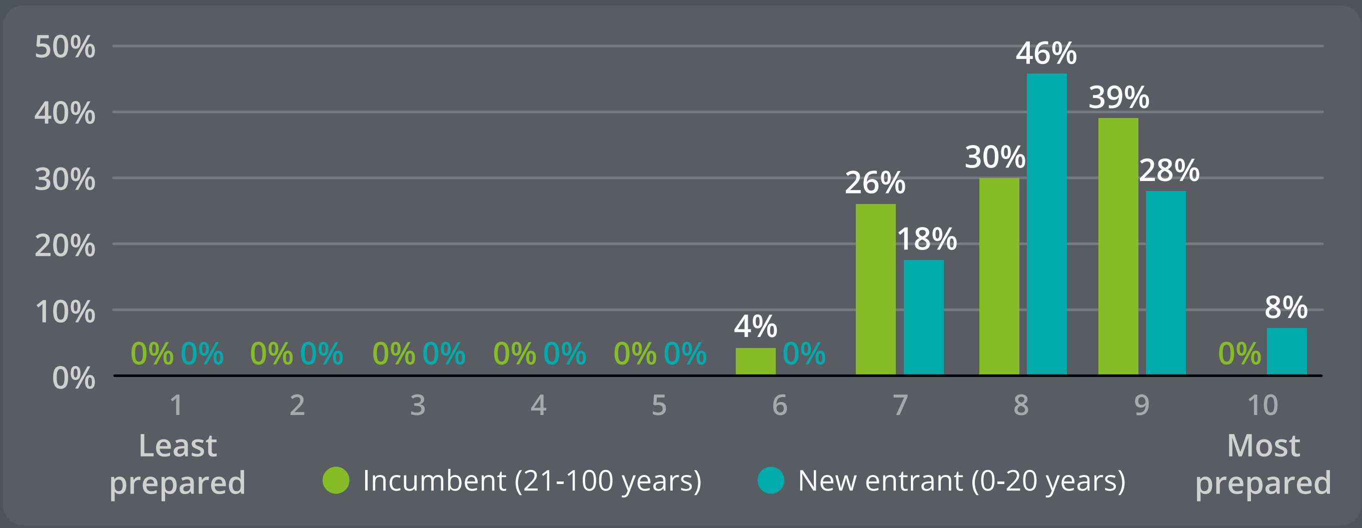
# Both incumbents and new entrants are confident in their ability to compete

While businesses are confident in their ability to compete, lower customer retention rates point to more switching, and the need to leverage new technologies to appeal to customer needs

Reflecting their successful adaptation to 2020's disruptions, the financial sector remains highly competitive. We asked new entrants how prepared they felt to compete with incumbents, and we asked incumbents how prepared they felt about competing with new entrants. **On average, new market entrants felt slightly more confident to compete with established businesses, than incumbents did to compete with new entrants.** On a scale of 1 (not very prepared) to 10 (most prepared), most businesses saw themselves as quite well prepared, scoring between 7 and 9.

**Reflecting this preparedness, businesses are generally confident in their ability to manage risk.** Half of the sector (50%) see themselves as 'very good' at risk management compared to other market players, though results vary for new entrants and incumbents. Long-established businesses are more likely to rate themselves 'very good' (62% of incumbents compared to 41% of new entrants).

## Preparedness to compete: incumbents and new entrants



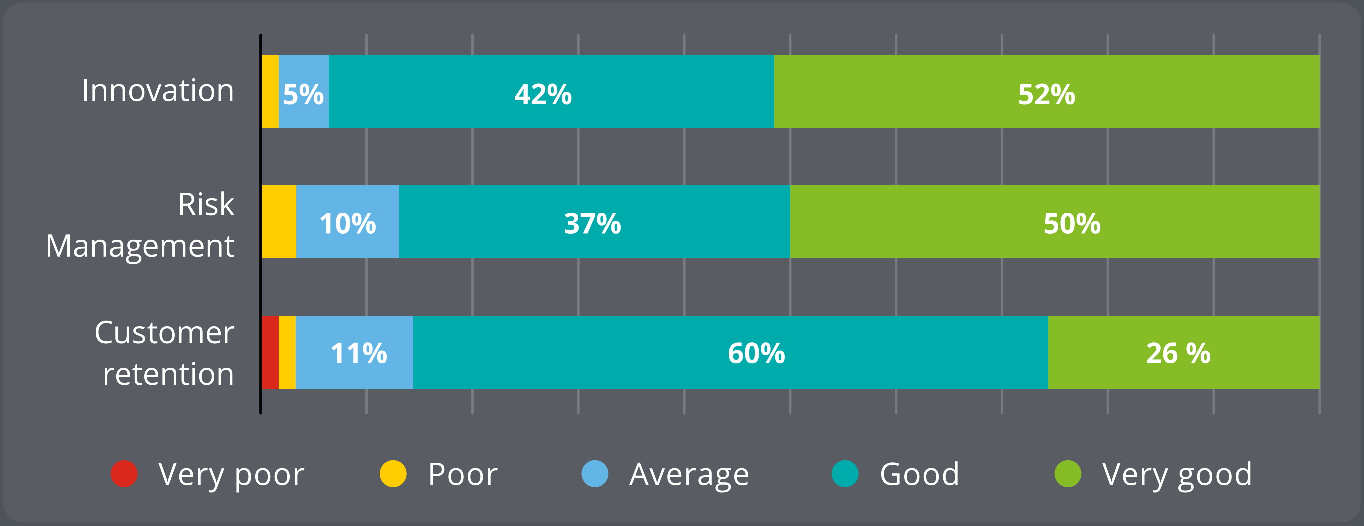

**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *How prepared do you feel your business is, to compete with [incumbent business or new entrants]?* Business were asked to rank their preparedness from 1-10

**Financial services firms are increasingly reliant on digital tools to manage risks, and to innovate - to improve both internal operations and customer facing systems.** But, while almost half the players in the sector see themselves as innovation and risk-management leaders, this does not always translate to high customer retention. While 52% of businesses saw themselves as 'very good' at innovation (62% of new entrants competed to 56% of incumbents), only about half as many businesses (26%) said they had very competitive customer retention rates.

As customers are faced with more choice in the financial services market, businesses are increasing competition by using digital tools to reach and communicate with their customers, and to tailor products to their offerings. cloud-enabled technologies can allow businesses to leverage customer data to improve their services and meet the changing needs of users.

## Self-reported performance on innovation, risk management and customer retention




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *Compared to other businesses in the finance sector, how would you rate your business in the following areas?*

# 2 | The state of technology

## Technology adoption across the sector

# The COVID-19 crisis showed firms they need data analytics now more than ever

## The financial services sector has rapidly adopted the use of data analytics, artificial intelligence or machine learning to continue operating through the pandemic

The COVID-19 crisis highlighted the need for firms to use data analytics and technology to survive and grow. Due to the nature of the financial services sector, many had to adopt new technologies to continue operating, collaborating and communicating with internal staff, partners and customers.

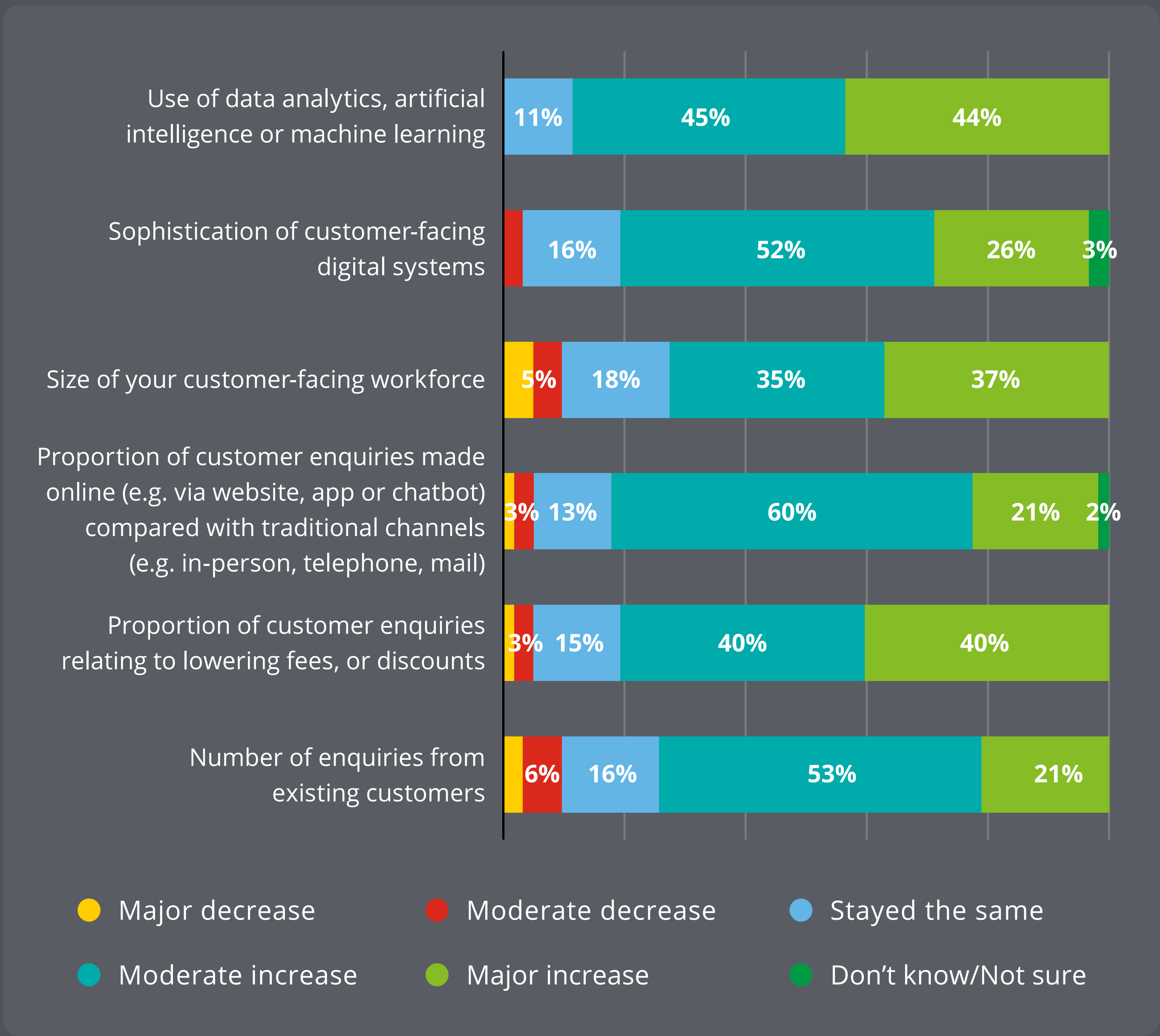
The survey found that during the crisis, the proportion of customer enquiries made to financial services firms online increased for 81% of surveyed firms and **the use of data analytics, artificial intelligence or machine learning increased for a staggering 89% of surveyed businesses.**

While the majority of firms used data to respond to the COVID-19 crisis, these changes differed across new market entrants and incumbents.

New entrants were more likely to increase both their digital capabilities and customer-facing workforce in order to manage customer enquiries. While incumbent firms, those who have been operating for over 21 years, focused more on improving their digital systems, with 30% reporting a major increase in this activity.

Small and medium firms and large firms also differed in their use of data analytics during the pandemic. Small and medium firms also increasingly used data analytics, artificial intelligence or machine learning. Almost all surveyed (97%) increased their use of these during the pandemic, compared to 79% of large firms.

## Change in customer interactions during COVID-19




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *How did the following customer interactions change during COVID-19?*

# Financial services firms are actively using technology to improve their services

## The use of technology is growing but firms are least likely to have adopted cloud technology

Despite this growing use of technology in firms, many financial services firms are looking to other forms of new technologies to improve customer services, rather than adopting cloud technology.

- New market entrants were most likely to have adopted digital communication with customers (85% of surveyed new entrant firms), compared to just over half of incumbents (52%).

Across the board, firms are least likely to adopt cloud technology, compared to website or apps, social media or emails, or machine learning or artificial intelligence.

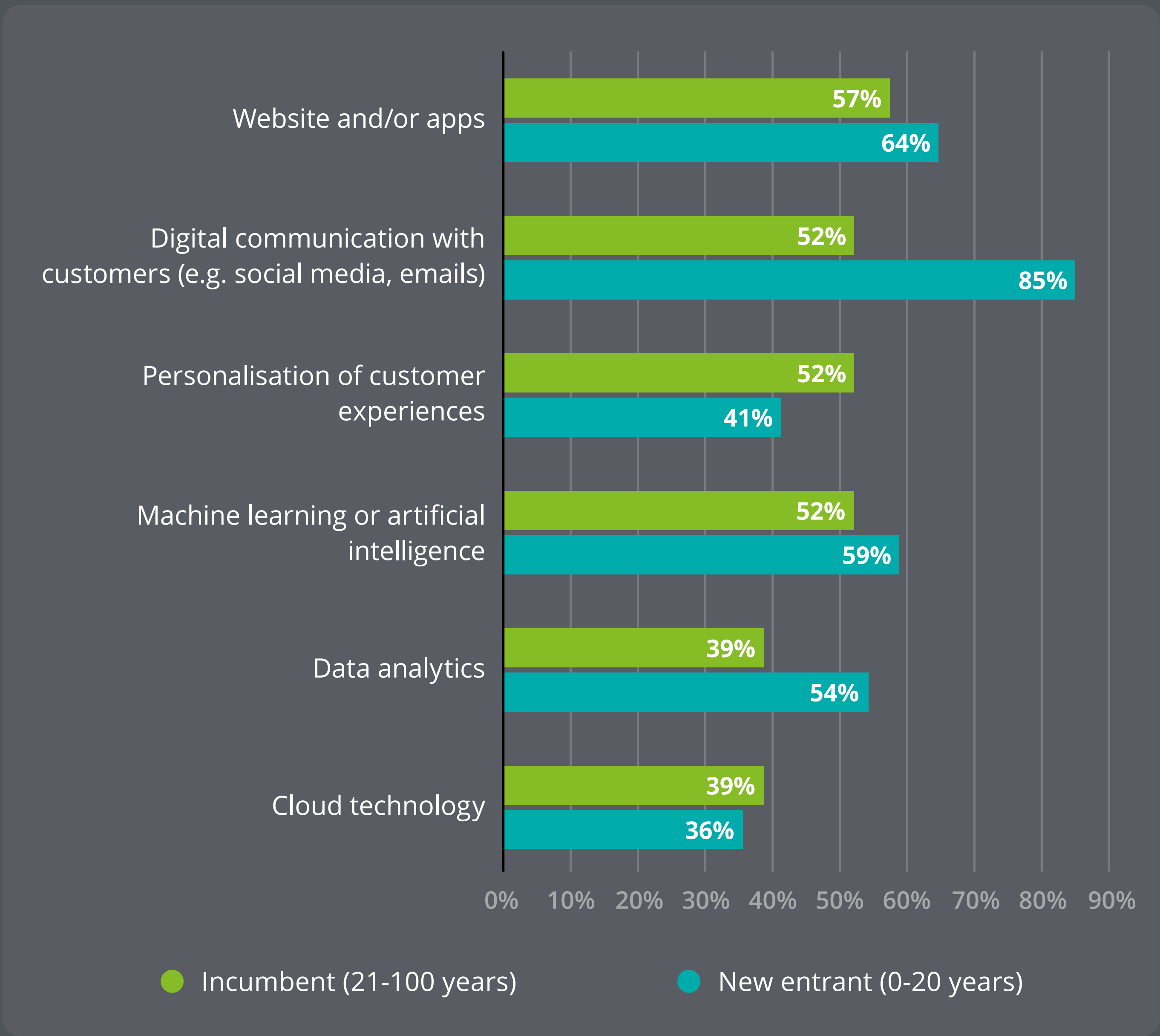
When asked about the level of adoption or use of certain technologies, only 39% of incumbent firms and 36% of new entrant firms would consider themselves advanced in cloud technology.

The adoption of new technologies differs across established firms and new market entrant firms:

- Over half of incumbent firms have adopted traditional methods of technology, such as websites or apps (57%).
- Over half of incumbent firms and new entrants adopted machine learning or artificial intelligence (52% and 59% respectively).

## Adoption or use of technologies

Share of businesses with 'advanced' adoption




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *What is your adoption or use of the following technologies?*

# Public cloud spending is growing across Australia and New Zealand

India is leading the way on growth in cloud spending over the past five years, followed by Hong Kong and New Zealand

As firms use technology to improve their services, public cloud spending is also growing at a significant rate. According to IDC data, **public cloud spending in financial services is growing across Australia and New Zealand.**

In 2020, Australia and New Zealand spent a combined USD$1,596 million on public cloud technologies, such as Microsoft, Google Cloud, Facebook and SAP. From 2016 to 2020 cloud spending in Australia grew a significant 176%, while New Zealand saw a staggering percentage change of 195%.

Across the financial sector certain sub-industries outperform others on cloud spending. In 2020, the banking industry accounted for just over half of all public cloud spending in Australia (52%), followed by securities and investment services (26%) and insurance (23%). This split was similar in New Zealand, with the banking industry accounting for 61% of public cloud spending.

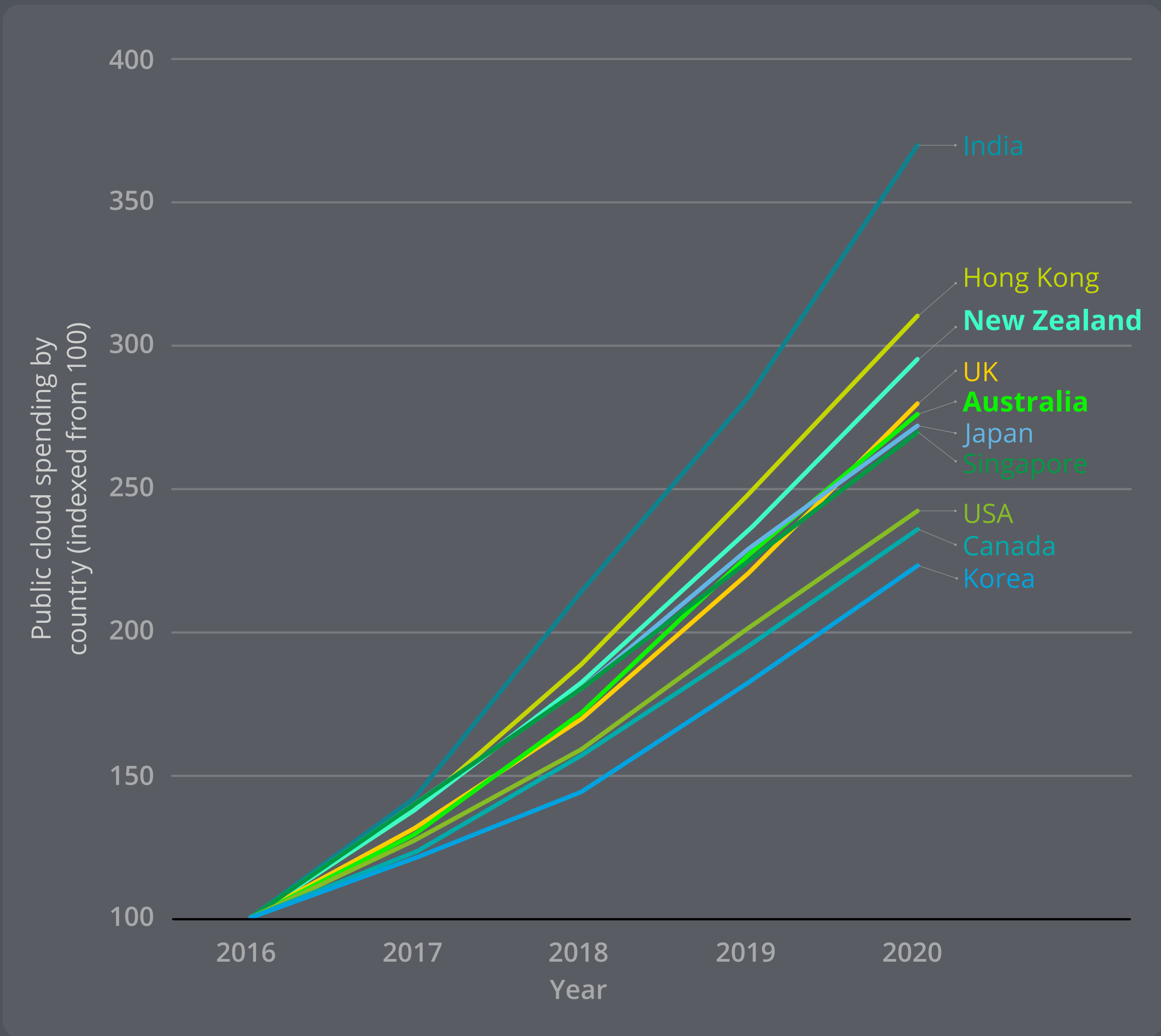
On the international stage Australia and New Zealand are performing well. In 2020, Australia spent the most on public cloud compared to other Asia Pacific countries. However, from 2016 to 2020, India had the highest compound annual growth rate (30%) in public cloud spending.

**Public cloud spending and CAGR, Financial Sector, Asia Pacific**

| Country | Spend in 2020 | CAGR (2016-2020) |
|---|---|---|
| 1. Australia | $1,310 | 22% |
| 2. Japan | $1,113 | 22% |
| 3. India | $892 | 30% |
| 4. Singapore | $400 | 22% |
| 5. New Zealand | $287 | 24% |
| 6. Korea | $233 | 17% |
| 7. Hong Kong | $149 | 25% |

**Source:** IDC, Worldwide Public Cloud Services Spending Guide - January (V1 2021)

## Public cloud spending by country, Financial Sector, 2016 to 2020 (indexed from 100)




**Source:** IDC, Worldwide Public Cloud Services Spending Guide - January (V1 2021)

# Firms are using this increasing cloud spend to improve the customer experience

## Collecting customer data, improving the customer experience and offering a more personalised experience are some reasons firms are using new technologies

Financial services firms are responding to this growing cloud focus and spend to improve the overall experience for their customer base.

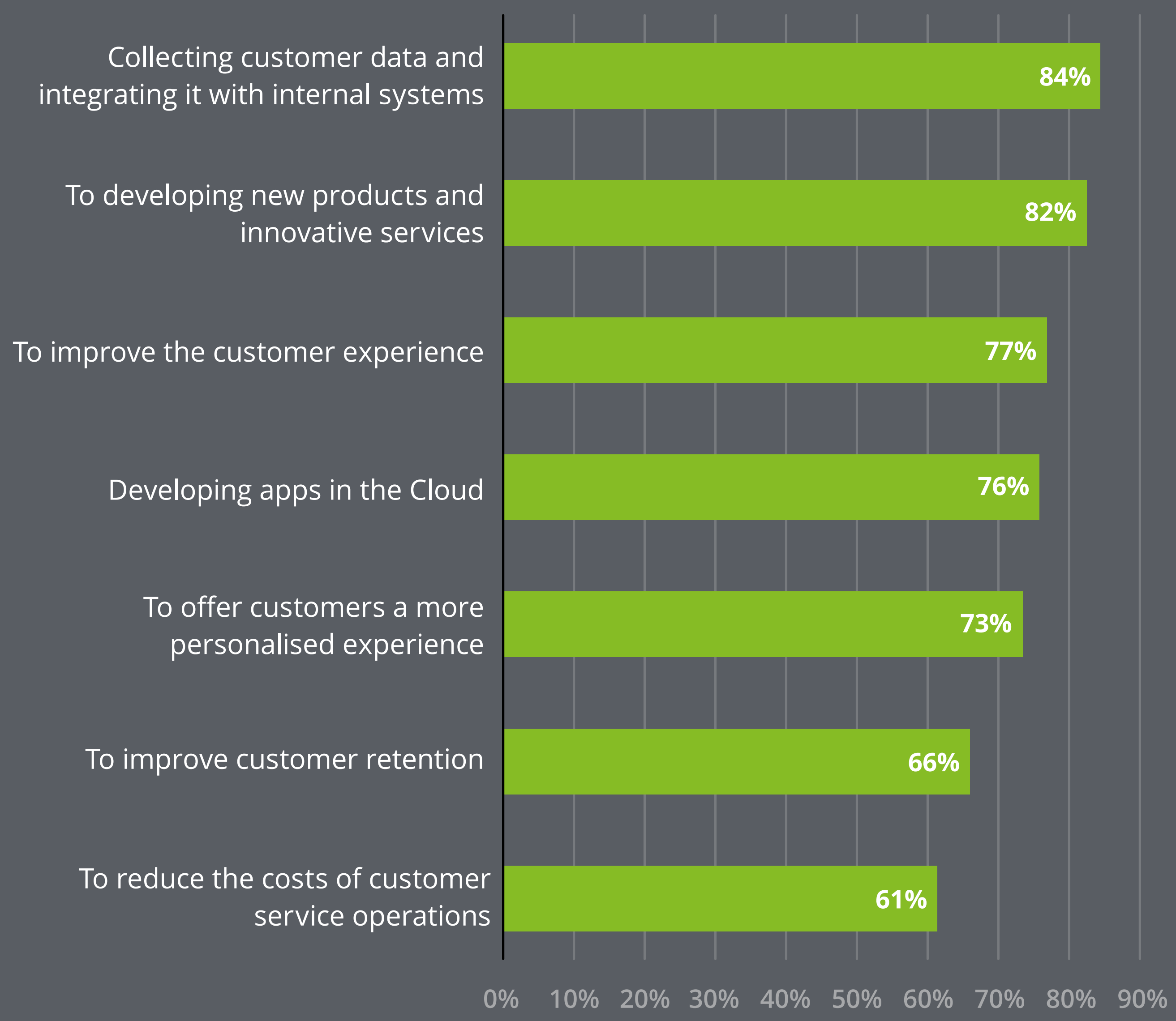
Using data to understand customers was the most important reason why businesses are using innovative technologies. **A large 84% of financial services firms surveyed are using innovative technologies to collect customer data and integrate it within their internal systems**, and just over 4 in 5 firms are using innovative technologies to learn more about their customer.

Although adopting cloud technology is considered less important than other technologies such as websites or emails, **3 in 4 surveyed businesses are developing apps in the cloud.**

### Cloud-based digital technologies will be essential to firms in navigating the future of the financial services sector:

- From a commercial perspective, cloud will continue to play a critical role in ensuring **operational and cost efficiency** for firms, especially when operating at scale.
- Cloud-enabled AI and ML functions can also continue to support **risk management and regulatory compliance** across the sector, and to tackle financial crime.
- Beyond these efficiency gains, cloud-enabled technologies will be essential to allow firms to **engage with their customers**, including learning more about their customers by collecting and integrating new data with current systems. This will support businesses to **innovate**, and adapt their businesses models to ensure **resilience to economic shocks**.
- The benefits of these innovations will not only be felt by customers, with firms also using cloud technologies to **engage their employees** and work toward achieving broader objectives such as workforce diversity. For many firms, a shift to cloud based data processing will also be a shift toward **environmental sustainability**.
- Competition on the basis of technological innovation may also drive **diversification** and **differentiation** across the sector. Continued competition - between firms of large and small firms, new entrants and incumbents, for-profit and not-for-profit businesses, retail and industry superfunds – can drive better outcomes for consumers and the economy.

## Reasons why businesses are using innovative technologies (e.g. cloud, artificial intelligence, machine learning)




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *Is your business using innovative technologies (e.g. cloud, artificial intelligence, machine learning) for the following functions?*

# Data analytics isn't being used to inform all decision making

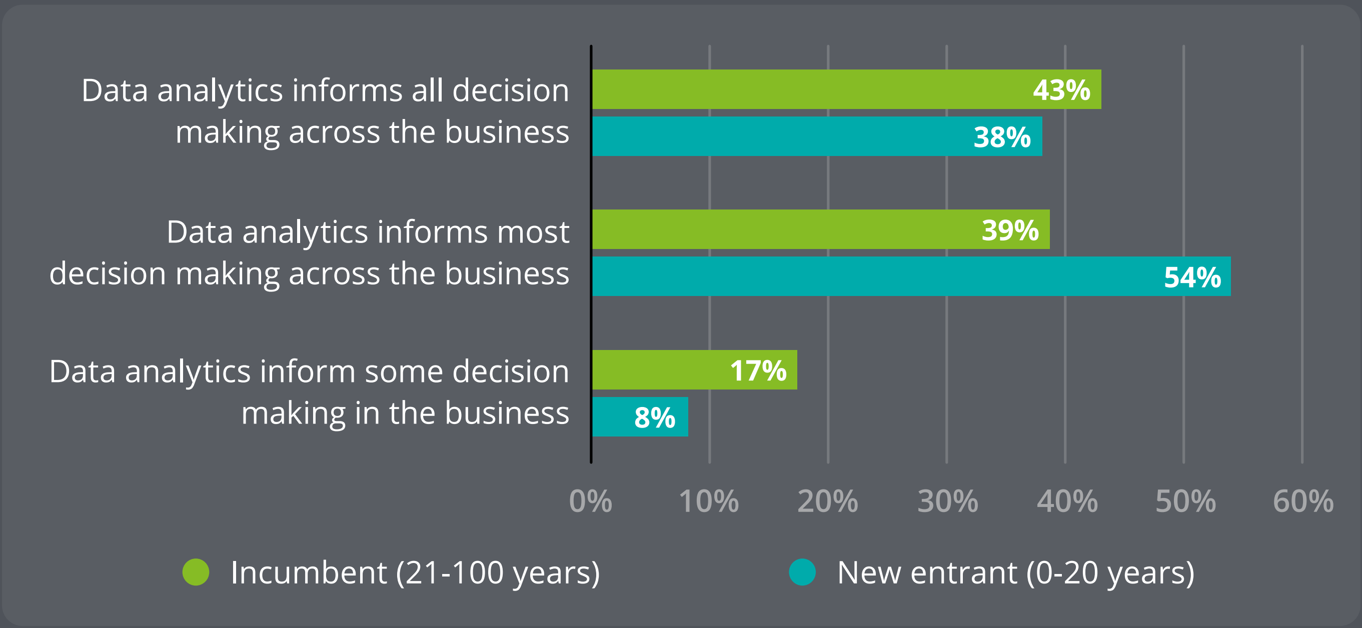
## Financial services firms aren't using data to inform decisions and have made little progress to cloud storage, or don't have a plan to transition at all

While cloud spending is increasing and financial services firms are rapidly adopting the use of data analytics, it isn't being used to inform decision making.

Over half of firms in the financial services sector (59%) indicated that data is informing most or some decision making but not all. Only 40% of businesses are completely data-led, using analytics to inform all decision making.

This differs across established firms and new market entrants. The majority of incumbents (43%) are data-led, using data to drive all decisions. While the majority of new entrants are data-driven (54%), using data to inform most decision making.

### Firms using data analytics to inform decision making



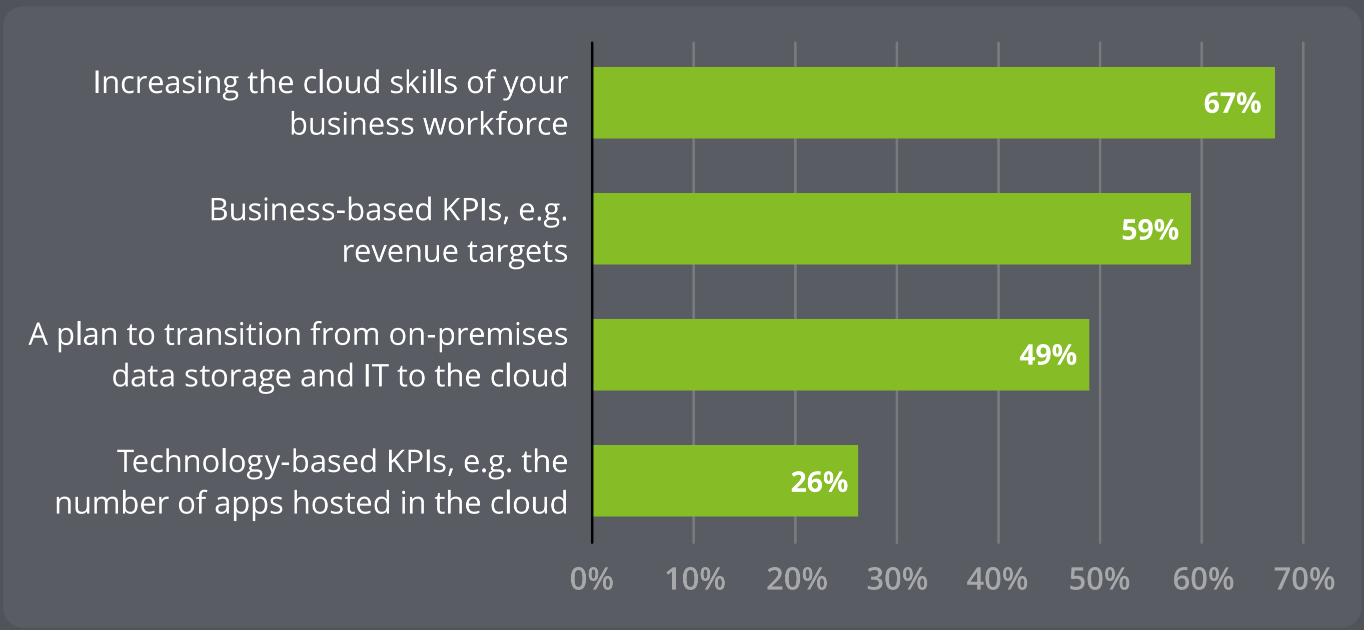

**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *To what extent does your firm use data analytics to inform decision making?*

It is in this context that it is unsurprising that financial services firms have made little progress towards cloud storage. Almost half (44%) of businesses have a strategy to transition however have made no progress, and 24% of firms have no plans to transition to cloud at all.

In firms, skills of employees are recognised as a priority but few businesses are keeping track of their technical progress. One third of firms have a strategy in place to boost the cloud skills of their workforce, only 1 in 4 financial services businesses are using tech-based KPIs to measure progress in adopting cloud technologies (chart below).

## Components of the business cloud strategy




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *Which of the following best describes your cloud strategy?*

## *Using data analytics to successfully manage risk at AustralianSuper*

AustralianSuper is the largest Australian superannuation and pension fund. Approximately one in every ten Australian workers are members. Created 15 years ago and owned by the Australian Council of Trade Unions and the employer peak body, the Australian Industry Group (Ai Group).

Over recent years AustralianSuper has been on a journey to build their data capabilities as it moves to boost services to members. In September 2019, AustralianSuper partnered with Google Cloud to increase efficiency and effectiveness of its marketing activities. The partnership gave the Fund a deeper insight into how members make decisions, allowing them the ability to better understand and serve their needs.

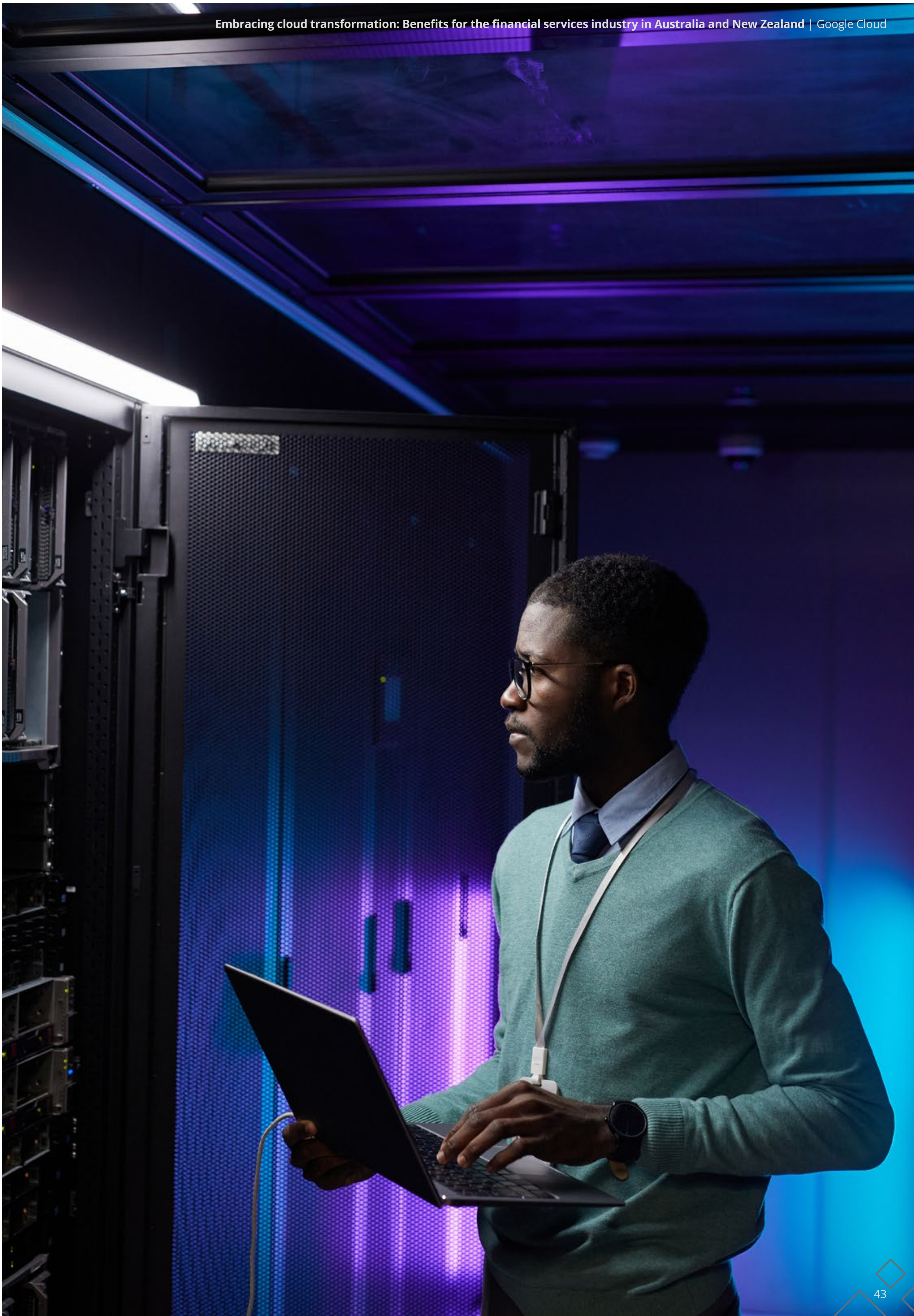
Currently the Fund also uses data analytics and cloud technology to improve the overall member experience. According to Felicia Trewin, Group Executive of Technology Services, "the fund uses data analytics to offer better experiences for its members, but also to manage our internal risk effectively and improve workforce management". On adopting cloud technology in the Fund, Felicia observed that the AustralianSuper has invested in cloud technology and a part of this process was choosing the right cloud partner for the Fund. This process was considered and took time to ensure that members best interests are considered with different cloud partners providing core services across the Fund operations. In addition, the superannuation sector is highly-regulated and the Fund is working with the regulators to address concerns that may exist either from an industry perspective, a cloud provider perspective or internal risk management. Felicia also noted that cloud services are still relatively new to the Fund and the process of providing information and knowledge across the Fund is developing, but the Fund remains focused on ensuring that we build trust across all colleagues as cloud technology becomes commonly used across the Fund.

As a whole, the superannuation industry is facing a number of challenges around adopting new technology. Felicia noted, "Ensuring consistent standards through different cloud providers is a difficulty for the industry as each cloud provider represent risk and controls in their own language. The growing number of vendors and providers are all at differing stages of size and maturity requiring each fund to have a robust third-party risk management framework. As an industry we really need to ensure that risk management is at the forefront for each provider."

In the future, members expectations and how the Fund engages with them has been raised. Felicia stated, "The COVID-19 pandemic turbocharged the use of technology in all businesses and now members expect more from their Fund. The long term impacts of COVID-19 will mean AustralianSuper and the superannuation industry more broadly will need to adopt new technologies to be more resilient, reduce risk, reduce costs and improve efficiency. "

**About AustralianSuper**

AustralianSuper manages more than $225 billion of members' retirement savings on behalf of more than 2.4 million members from around 350,000 businesses. One in 10 working Australians is a member of AustralianSuper, the nation's largest super fund. The Fund is a top performing fund delivering annual member returns of 9.49% a year over the past 10 years, ranking it number 1 in Australia.



# 3 | Technology-enabled performance

## The role of technology in improving firm outcomes

# The levels of cloud-enabled technology adoption vary

## While the rate of adoption varies and some face more barriers than others, most financial services firms are using some cloud-based technologies

Financial services businesses are using cloud-enabled technologies to improve outcomes across their businesses – but with different levels of maturity.

The chart on page 47 maps surveyed businesses to one of five levels of cloud 'maturity'. The groups reflect each businesses' relative score in an index that measures firms' performance across seven domains:

**Data analytics:** the extent to which data analytics drives decision-making across the firm.

**Plans to adopt cloud:** whether firms have a plan to transfer to cloud storage.

**Progress transitioning to cloud:** how much progress has been made in transitioning data storage to cloud.

**Use of emerging tech:** the use of emerging technologies including cloud, artificial intelligence and machine learning.

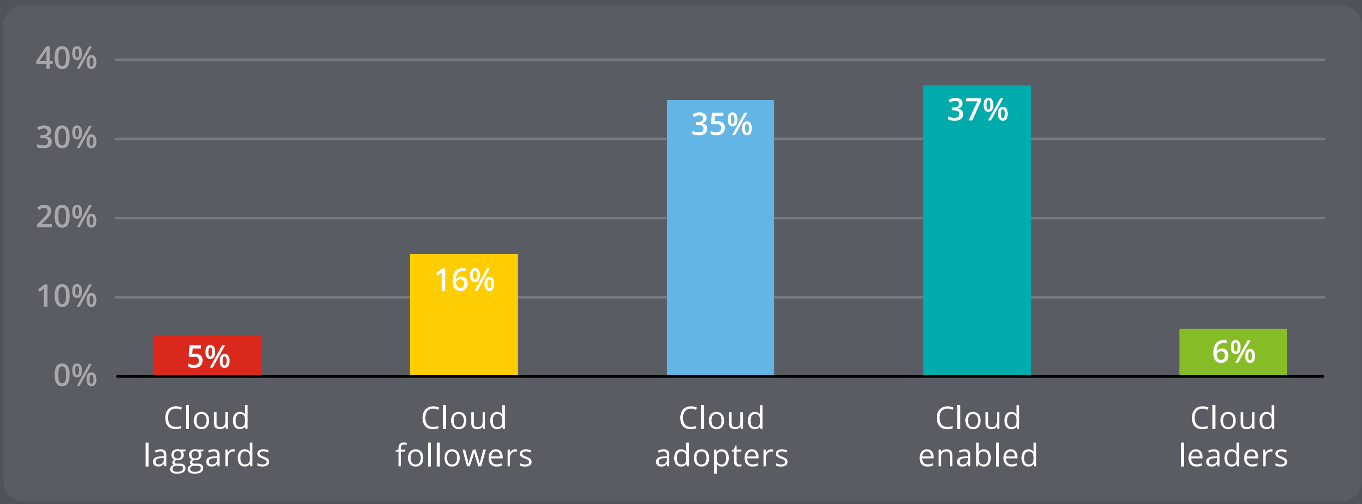
**Customer-driven cloud investment:** whether firms are currently using cloud applications to improve the customer experience.

**Digital adaptation to COVID-19:** the investment in data analytics, AI, machine learning and customer-facing systems during 2020.

**Plans to invest:** firms' outlook for their level of cloud use in three years' time.

## Cloud maturity levels of Financial Services firms

Share of businesses in each category




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Cloud laggards** saw the sophistication of their digital capabilities decrease or stay stagnant during COVID-19. These firms might use data analytics to inform some decision making, but are the least likely to have a clear plan to develop their use of cloud-enabled tools.

**Cloud followers** businesses have made some progress in shifting to cloud-enabled digital tools, in order to personalise customer services, but either do not have a plan to shift to cloud processing, or haven't made much progress.

**Cloud adopters** are the largest group of firms. While they are using more emerging technologies in their day-to-day businesses and want to invest in cloud capabilities going forward, their progress to date has been slow.

**Cloud enabled** businesses use cloud functions for a larger number of customer-focused applications, and accelerated their use of digital tools to respond to COVID-19. They are more likely than cloud adopters to have set their sights in being cloud leaders.

**Cloud leaders** are at the frontier of cloud-enabled customer service and innovation. They are using data analyti cs to inform all decision making, and host 100% of their data in the cloud – to enable the use of advanced cloud applications.

# The common features of cloud-leading businesses can help inform firms' strategy

## The businesses leading the way are smaller, newer market entrants, and have put their technology leaders - rather than their business leaders - in charge of spending

1

**Comparing incumbent firms and new entrant firms highlights differences in cloud maturity.**

A higher share of incumbent business are 'cloud leaders', though almost the same share of firms make it into the top two categories. The incumbent businesses are more spread across cloud maturity levels, with a larger number of incumbents who are in the two bottom categories.

2

**Business size has an impact on cloud maturity. Where larger firms have higher revenues, they also have more to spend on developing their cloud maturity.**

Smaller businesses (between 100 and 1000 employees) are more likely to have below-average rates of maturity, and account a larger share of the 'cloud laggards' and 'cloud followers'.

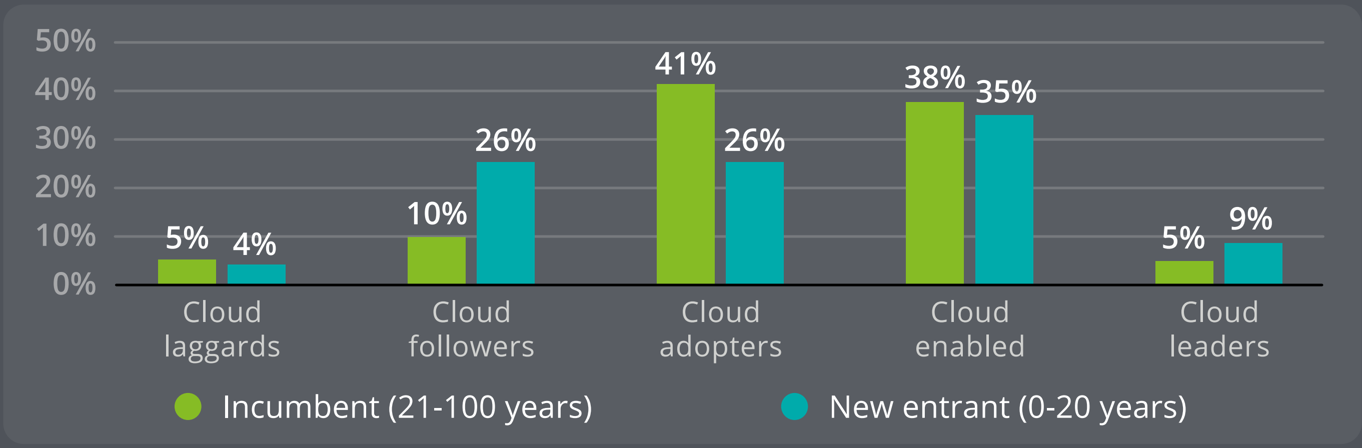
Conversely, larger businesses (with between 100 and 1000 employees) are more likely to be Cloud leaders, and account for a larger share of the 'cloud enabled' cohort.

3

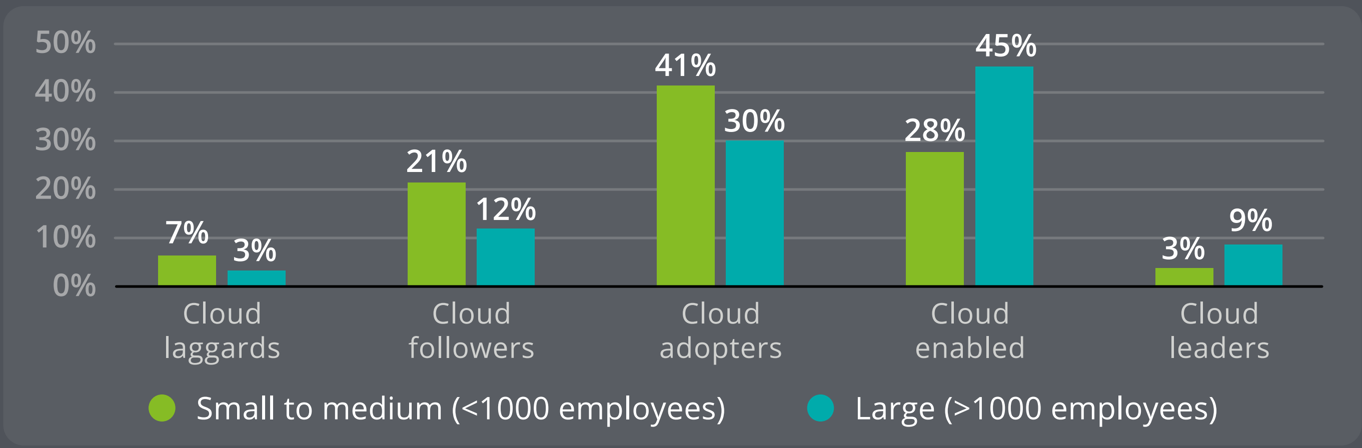
**Businesses leading the way in cloud-innovation have put their technology leaders in charge of spending on cloud.**

When asked about who holds responsibility for cloud spending in the business, firms' responses were mixed. 29% of firms put their technology leaders in charge, 48% assign responsibility to business area leaders and 23% hold their senior executive responsible. While there are cloud-enabled businesses in each of these categories,  75% of leading firms have their technology leaders to thank for this progress.

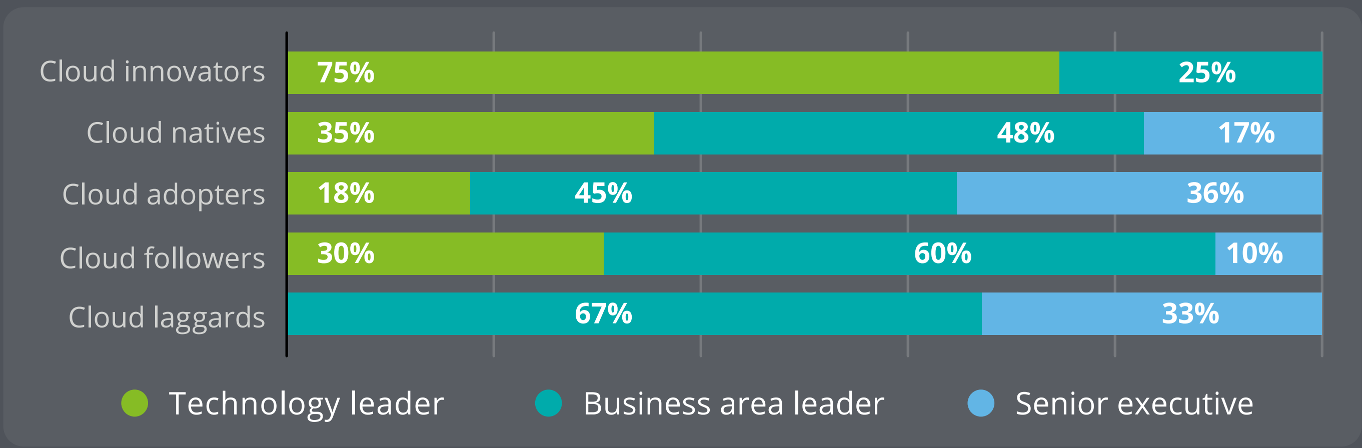
## 01. Cloud maturity by firm type




## 02. Cloud maturity by firm size




## 03. Cloud maturity by leader responsible for spend




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

# Raising the cloud maturity of a business pays off

## Businesses with higher cloud maturity had higher rates of revenue growth in 2020

**Firms with higher cloud maturity levels were better placed to adapt to COVID-19's changing operating conditions.**

Businesses leading cloud adoption saw a revenue growth rate of 75% in 2020, compared to 29% for the most cloud-lagging businesses.

There is a moderate relationship between firm size and cloud maturity – with larger firms more likely to have higher cloud maturity scores.

Notably, the size effect is much stronger than the age of the firm. Both new entrants and incumbents can be cloud leaders.

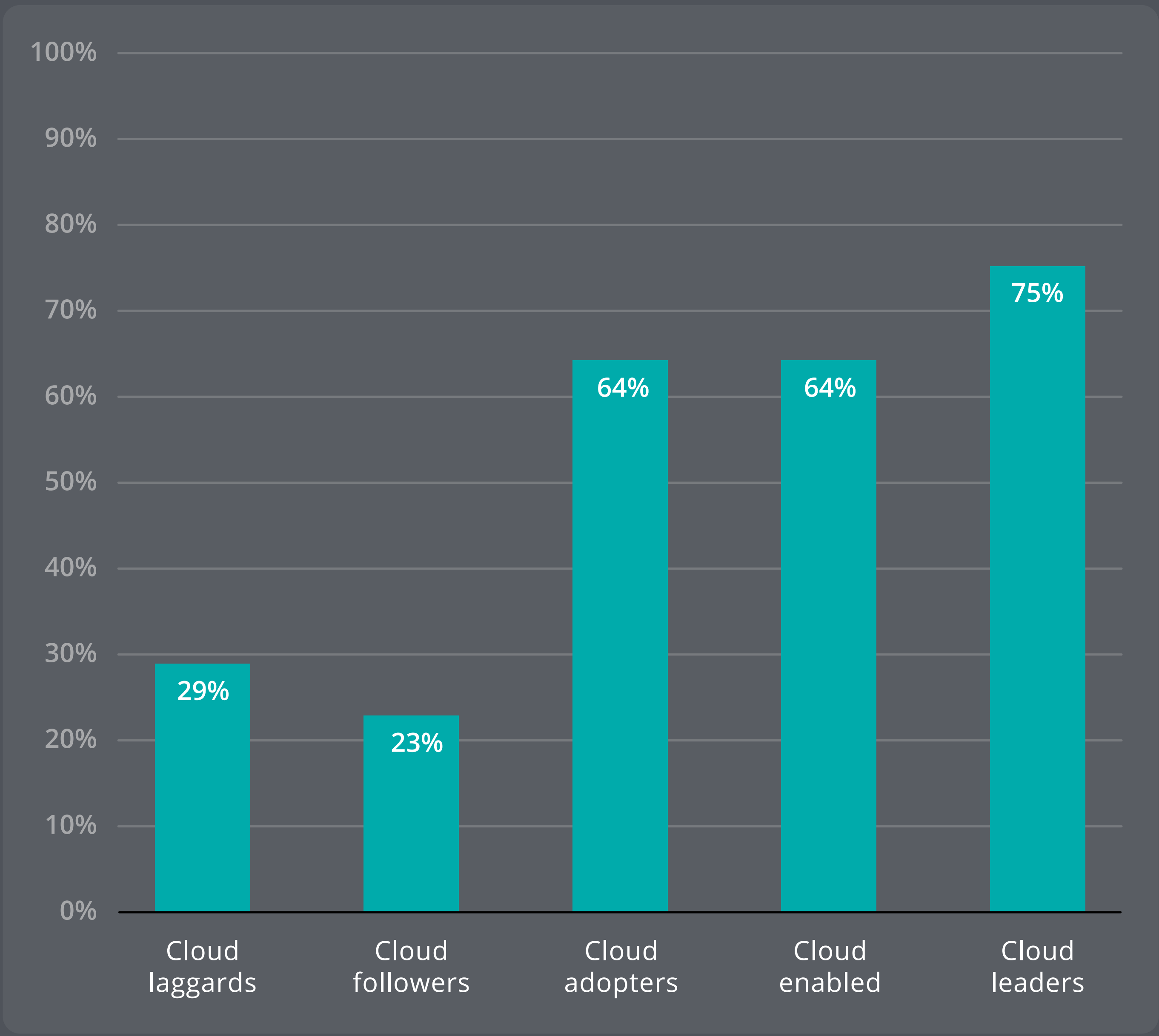
## Analysing correlations between Cloud maturity measures and firms' characteristics shows which firms are leading the way.

These rates are strongly influenced by the very high growth rates of new entrants. Average revenue growth rates in 2020 for incumbent players were less than 10%, similar to the industry overall.

Across the seven domains of cloud maturity, it was those firms who adapted to COVID-19 operating conditions by increasing their use of Cloud-enabled technologies that were most likely to experience strong revenue growth.

It's the size of their employee base that makes more of an impact. There is a moderate relationship between revenue growth in 2020 and whether firms increased the size of their customer facing workforce, which suggests that cloud enabled tech augments the capabilities of a successful workforce.

## 2020 revenue growth by cloud maturity




**Source:** Deloitte Access Economics survey fielded by Dynata, N=57

# The biggest benefits of digitisation are more complex than 'cost-savings'

While businesses report that digitisation raises revenue and lowers costs, the biggest benefits of digital change in 2020 were adapting to COVID, and improving employee and customer experiences

**Digitisation brings businesses new ways of doing business and connecting with customers – and these opportunities are seen as more important than revenue gains or cost savings.**

When asked about benefits of digitising processes, the benefits business leaders most commonly ranked number one were making business services more adaptable to COVID-normal settings (23%), improving the customer experience (16%) and increasing employee engagement (18%).

For business decision-makers, the benefits of cloud-enabled technology like AI, machine learning and data analytics are in helping firms to engage with their people – both employees and customers – rather than in lowering costs.

Incumbent businesses are more likely to see an opportunity to increase employee engagement through digital tools, reflecting that they tend to be bigger firms and have a more dispersed workforce. New entrants are more likely to see digitisation as beneficial for managing risk and preventing financial crime.

Reflecting the role of digital in driving innovation those businesses who see technology as more of an enabler are most likely to have strong revenue expectations for 2021, compared to those who see technology as more of a barrier.

Traditionally, the benefits of technological innovation have been understood as financial – lowering costs and raising revenues. While these benefits are reported by businesses, they are more likely to see digital processes as enabling performance rather than educing cost.

These businesses also indicate that using digital tools to grow revenue could reflect that their business model is more reliant on reaching customers digitally.

Businesses who saw technology as relatively more of a barrier has a 2021 growth outlook 10 percentage points lower than those businesses who saw technology as more of a barrier.

## Benefits of digitisation

Share of businesses that ranked each benefit number 1


**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *What do you think are the biggest benefits for your business of digitising processes? Chart shows the share of business leaders who ranked each item number 1 in each category.*

## *Digitisation to grow the business at IAG*

Insurance Australia Group Limited (IAG) is the parent company of a general insurance group and is the largest general insurance company in Australia and New Zealand. IAG's businesses sell insurance under many leading brands, including NRMA insurance, CGU insurance, SGIO, SGIC and Lumley.

For IAG, their objective is to create a stronger business that grows with their customers. It is underpinned by the following priorities: grow with our customers, build better businesses, actively manage risks and use technology to create value through digital. According to David Earls, Executive General Manager Enterprise Services, Technology and Operations at IAG, "developing digital products and services that enable this objective is a major opportunity. Our plans are the simplification and integration of our systems, data and processes to enable our colleagues and customers to make better decisions more easily than ever before. For IAG, the development of our technology and digitisation is a key component."

Technology was already a key part of IAG's strategy prior to the COVID-19 pandemic. David noted, "before COVID-19, 30% of our contact centre staff were already predominantly working from home. Flexible working was being implemented across the business, as a part of that, IAG had already embraced cloud based services, such as WebEx and MS Teams, for collaboration and communication. When the pandemic hit Australia, IAG had a seamless transition to working flexibility, with 99% of our workforce able to quickly transition." The impact of the pandemic was also felt from offshore partners and IAG's customer base. David stated, "COVID-19 required us to onshore a number of teams who were operating in high risk countries such as India, Brazil and the Philippines. IAG on-shored more than 700 contact centre agents in the first six weeks of the pandemic. Those partners still operating in developing markets continue to face challenges around connectivity and privacy in the home."

Digitisation and the appetite of customers is driving new ways of doing business at IAG. David commented, "For our customers, there's an appetite for direct channel services, such as a website or app to directly access services. IAG is moving in this direction with a specific focus on mobile applications for engagement and it's being driven by our customers and supported by our corporate strategy." IAG has also been developing a hybrid multi-cloud path for a number of years. David noted, "like most businesses, most of our material transactions still occur in Datacentres, rather than in the cloud. We have been maturing our cloud based services and skilling our teams to develop and operate in these more dynamic environments ensuring we maintain strong operational controls to enhance the security and trust of our products and services to safely leverage the capabilities of cloud."

Over the next couple years, IAG expects to have migrated significant workloads onto the cloud and fully adopt their multi cloud strategy. According to David, "Our main reason to migrate to the cloud is to leverage large scale cloud capabilities to continuously enhance the simplicity, trust and value of our products and services for our customers. To better generate and utilise our data to continuously improve our business, better manage our risks and opportunities and to grow with our customers."

# When allocating their technology spend, firms are seeking efficiency and innovation

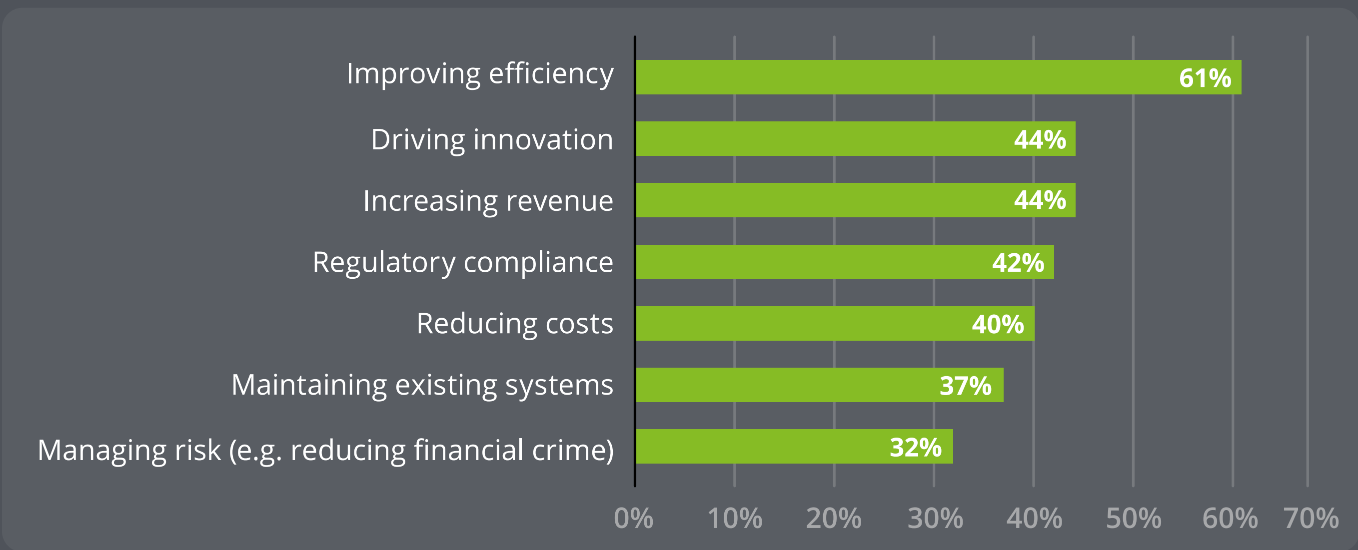
## The priorities of new entrants and incumbents are different – incumbents focus on innovation a, compliance and cost, while incumbents see innovation benefits and cost reductions as key

**Businesses' priorities for technology spending reflects the need to balance a number of objectives.** The top three factors influencing firm's technology spend are improving operational efficiency (60% of businesses ranking this in their top 3), driving innovation (44%) and increasing firm revenue (44%). These strategic priorities were more commonly selected than operational factors, like regulatory compliance, cost reduction, system maintenance and risk management.

**These priorities broadly align to the main benefits of digitisation which firms identify.** Using technologies to improve the customer experience can customers and to use data effectively to improve service offerings, which drives efficiency and revenue. While fewer businesses say reducing costs is among the top 3 factors driving tech spending, those who did identify it as a driver were likely to rank it highly. While some firms have shifted their thinking to see technology as an enabler of performance and competitive advantage, others see it more narrowly – as a cost saving measure.

### Factors affecting technology spend

Share of firms who selected each item in their top 3




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

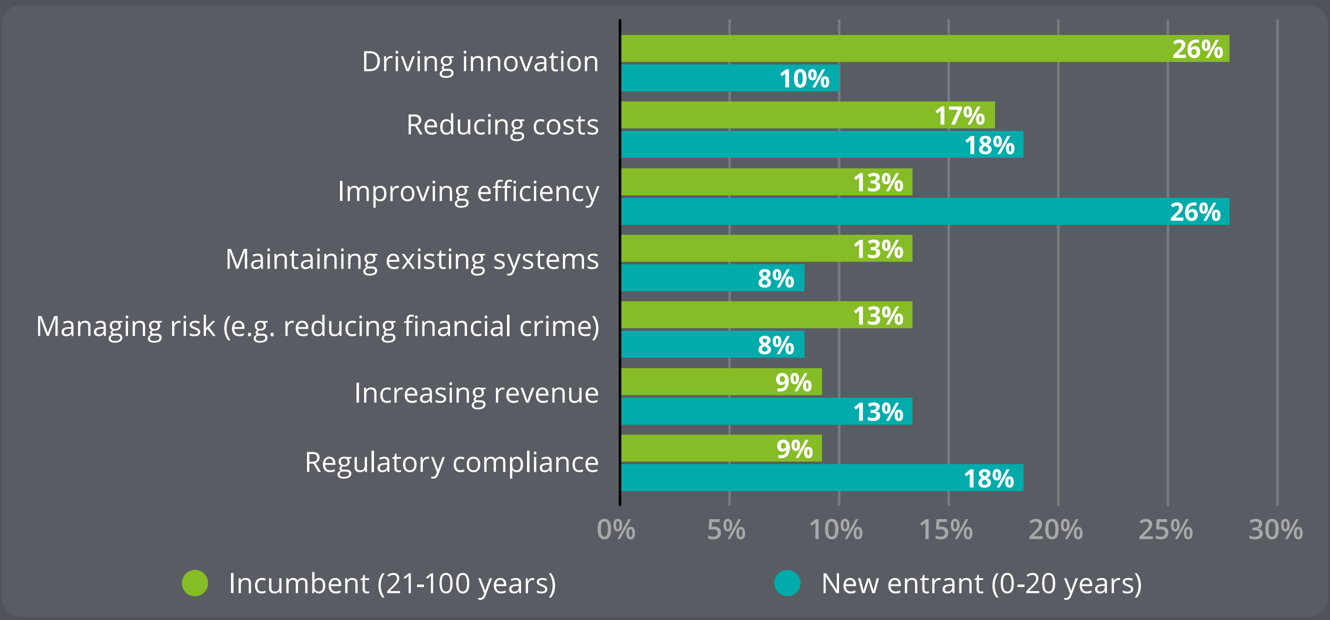
**Survey question:** *How would you rank the following factors influencing the allocation of your technology spend?*

**There is conservable variation between incumbents and new entrants in the key factors driving technology spending.** For incumbent businesses, the priorities are driving innovation and reducing costs. In comparison, new-entrants were more likely to be focused on improving efficiency and ensuring regulatory compliance.

**Firm's spending on emerging technologies is seeking to achieve many objectives.** As such, it is imperative that firms have a plan and track their progress. While almost two-thirds (61%) of financial services businesses using financial targets to their track progress on cloud adoption, only one in four (25%) businesses are using tech-based KPIs to measure cloud progress. Given the role of technology leaders in enabling cloud Innovation, there is progress to be made in measuring technical cloud progress along financial measures.

## Factors affecting technology spend

Share of firms who ranked each item the most influential




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *How would you rank the following factors influencing the allocation of your technology spend?*

# 4 | Future and barriers

## Actions to enable successful digital transformation of the financial services sector

# The financial sector is poised for growth

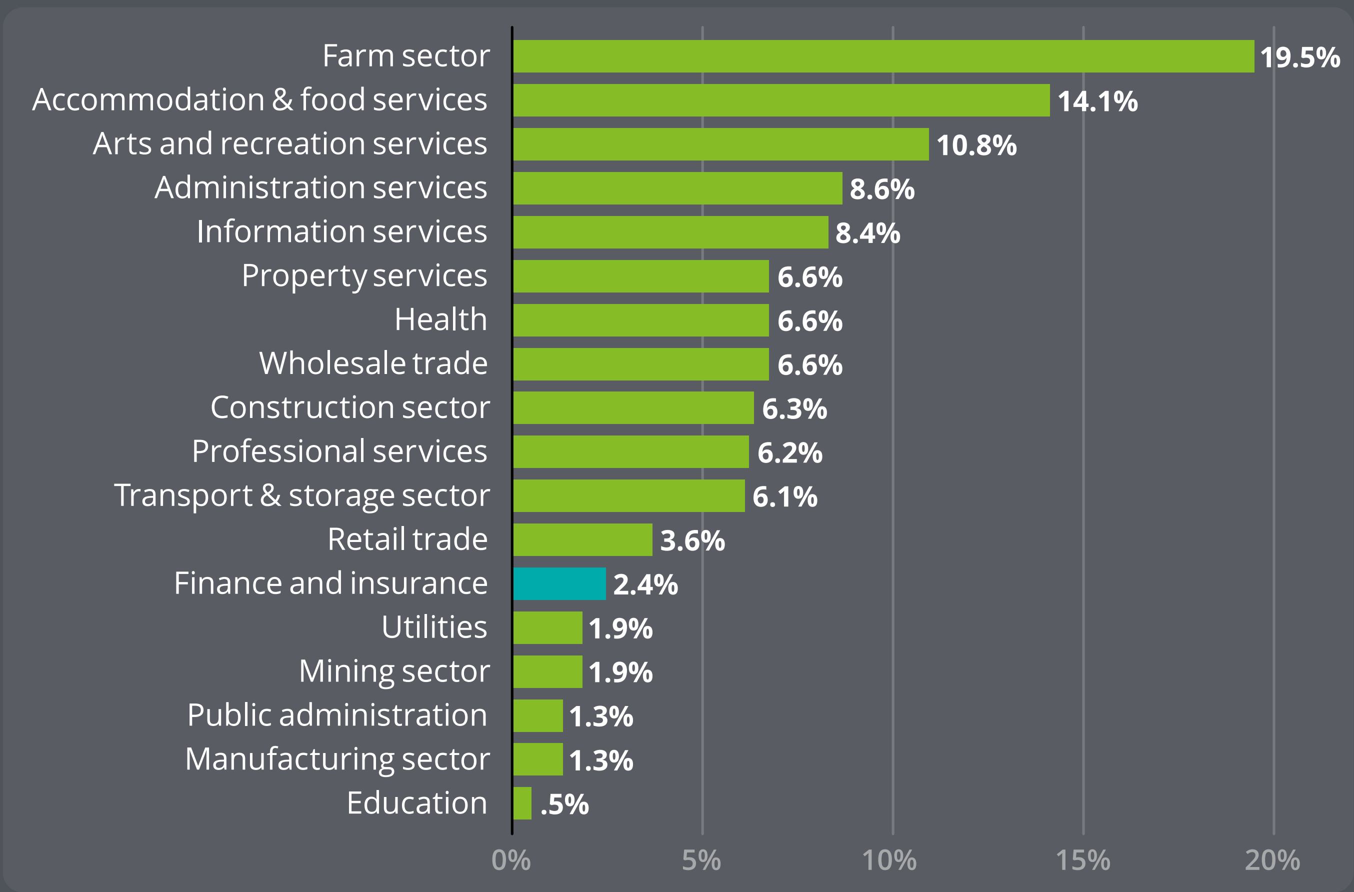
## As the financial sector was resilient during COVID-19, recovery won't be as strong

While the financial services sector across Australia and New Zealand has proven to be resilient to COVID-19, **recovery for the sector won't be as strong**.

Deloitte Access Economics own forecasts predict the financial services sector to grow 2.4% in 2021.

The chart below shows this is considerably lower compared to other sectors, such as the farm sector (19%) or the accommodation and food services sector (14%). Because of this small growth, the financial services firms must search for new sources of growth, such as the adoption of new technologies to thrive.

### 2021 Forecast growth by industry



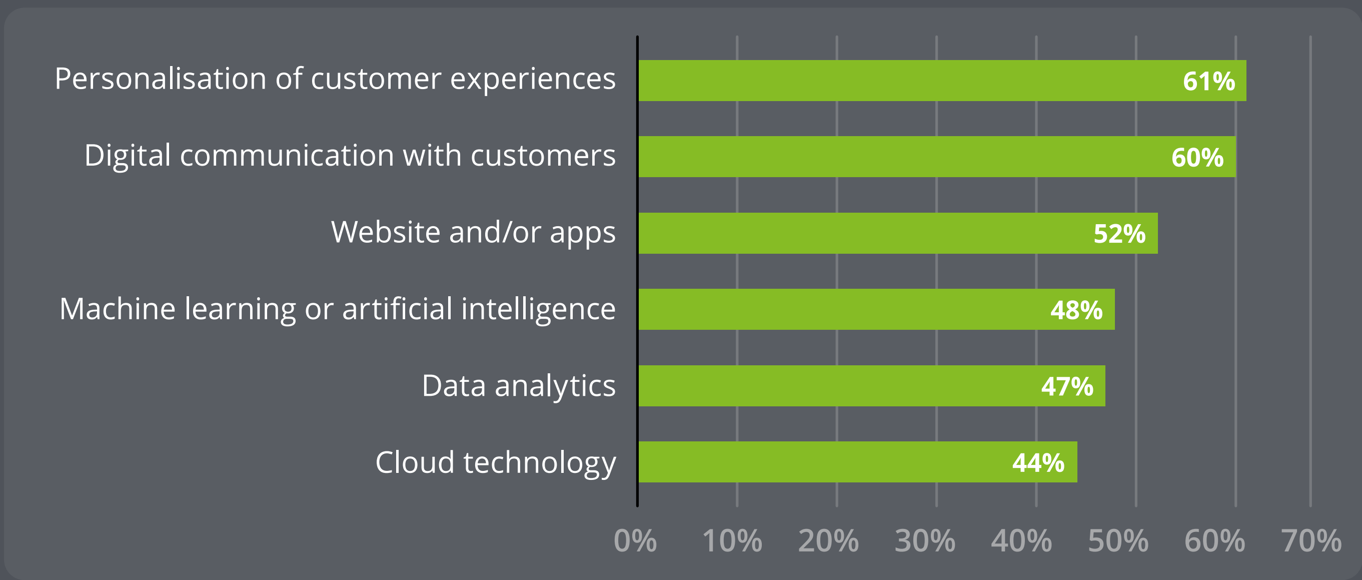

**Source:** Deloitte Access Economics Business Outlook (March 2021)

In the path to recovery, financial services firms are looking to technology and it's benefits to help them thrive. However, the survey found that businesses don't understand the benefits of the cloud platform.

In three years time, **a larger share of businesses are expecting to have advanced adoption of customer-facing technologies than of analytics or cloud**. Only 44% of firms think they will be advanced in cloud technology in three years time, compared to 61% of firms indicating personalisation of customer experiences.

## Adoption of technologies in three years time

Share of firms with 'advanced' adoption




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62
**Survey question:** *Where would you expect your business to be in three years time?*

# Financial services and the technology workforce are forecast to grow

Australia and New Zealand are being outpaced in Asia Pacific

The financial services sector is well positioned to take advantage of digital led growth.

Technology workers are the key to the financial sector capitalising on this digital growth.

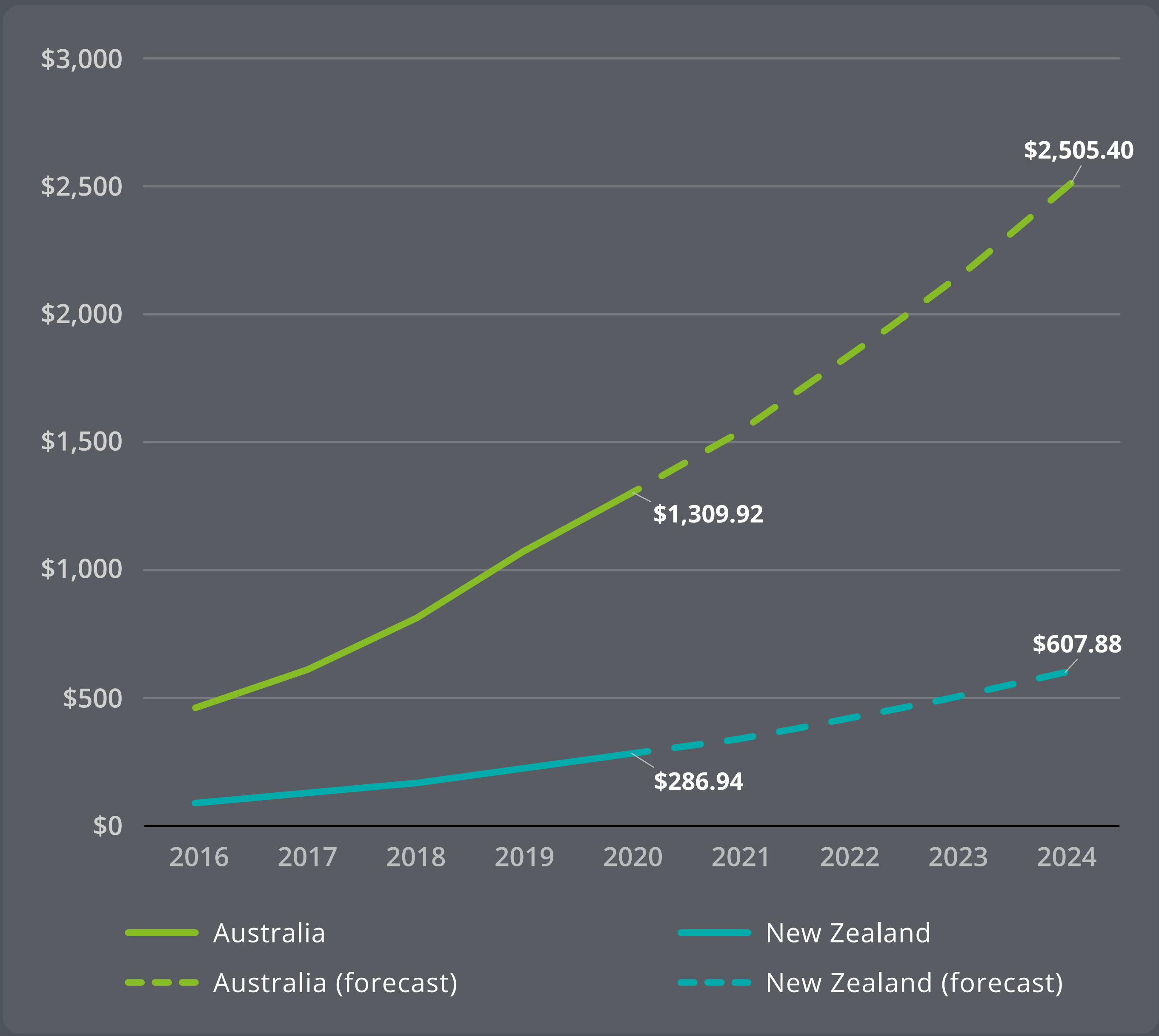
## Digitisation and spend on cloud technologies is growing.

According to IDC data, public cloud spending in Australia is set to grow 91% from 2020 to 2024. Higher growth is forecast for New Zealand (112% from 2020 to 2024).

The Asia Pacific region shows a different cloud story. According to IDC data, Australia and New Zealand will be outpaced by India, which is set to grow by 123% from 2020 to 2024, with a compound annual growth rate of 17%.

Despite the health and economic crisis, the technology workforce in Australia had 33,400 more workers in 2020 compared to 2019, reaching a new peak of 805,525 workers. **Of this, 9% of the technology workers were employed in financial and insurance services.** In 2020, the financial and insurance sector was an industry with considerable growth in both employment and in technology employment. The industry experienced high demand but was able to shift online where possible.

## Public cloud spending, Australia and New Zealand, Financial Sector, 2016 to 2024




**Source:** IDC, Worldwide Public Cloud Services Spending Guide - January (V1 2021)

# Financial services firms face many barriers and have limited plans for cloud adoption

## Limited trust in data, regulation or problems with business strategy are some of the barriers firms are facing

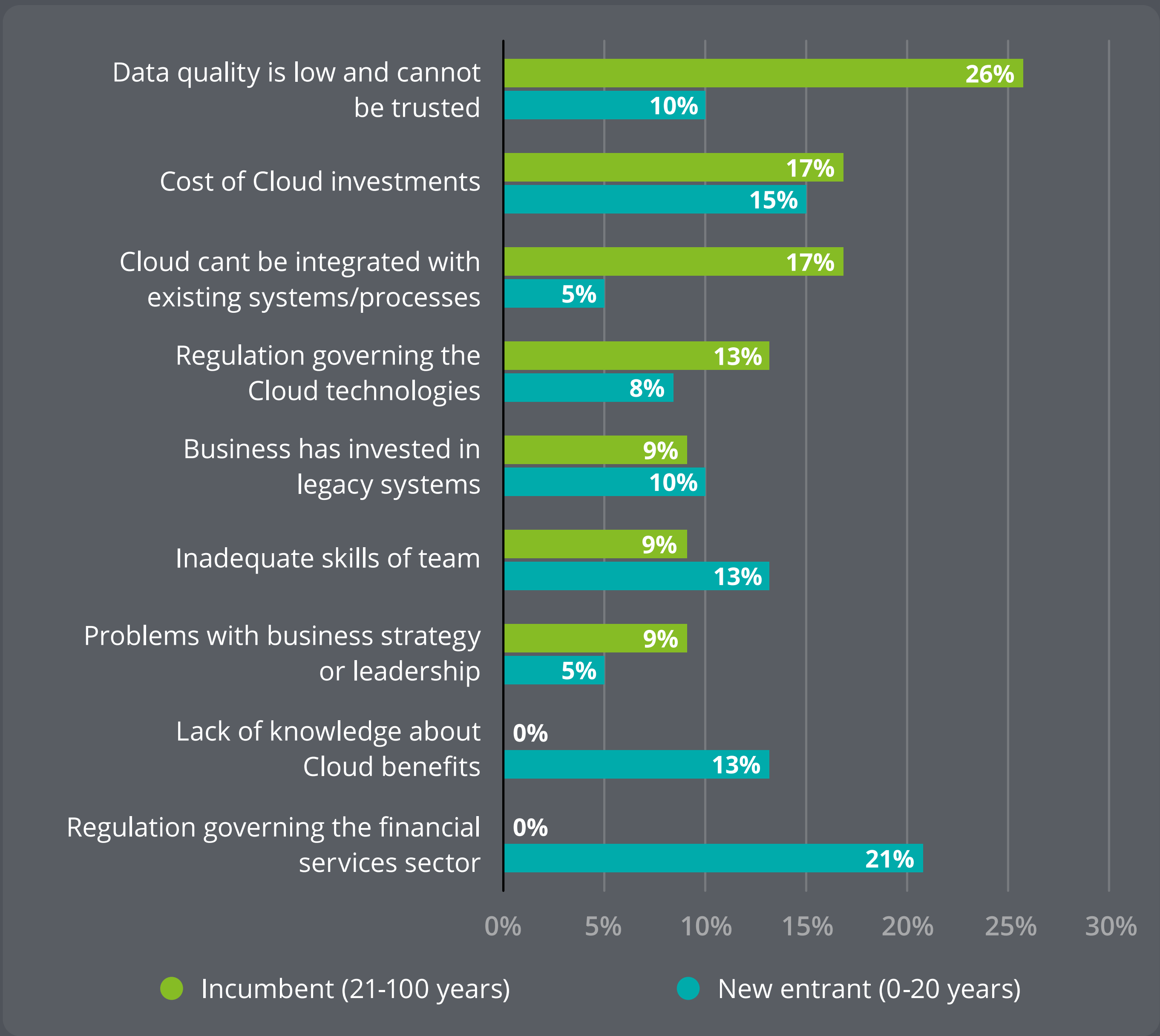
Several barriers limit financial services firms in their plans for cloud adoption. One of the biggest barriers for firms is that they consider cloud technology **data to be of low quality and not trusted (40% of respondents).** Almost half of financial services firms (40%) also indicated problems with leadership or strategy for adopting cloud technology.

The highest rated barriers differ between established business and new market entrants. For incumbents, the biggest barrier is that data quality is low and can't be trusted on the cloud platform (26% of incumbents). This is compared to only 10% of new market firms.

Barriers differ for new market entrants. The majority of new firms find regulation governing the financial services sector as their biggest barrier. Regulatory imposition, such as Open Banking, superannuation reforms, insurance inside superannuation and new financial advice, limit the adoption of cloud technology for new firms (21% of new entrant respondents).

For both established firms and new entrants, the cost of cloud investments was the second rated barrier to adopting more cloud technology (17% and 15% respectively).

## Biggest barriers to adopting more cloud technology




**Source:** Deloitte Access Economics survey fielded by Dynata, N=62

**Survey question:** *What do you think are the biggest barriers which have stopped your business adopting more cloud technology?*

# Actions to enable successful digital transformations

Businesses know how advanced technologies – from blockchain and AI to IoT and edge computing – might reshape their operations, energise their people, reinvent customer experiences, and spawn new markets. They might see how cloud computing is essential to powering these technologies. What's harder for businesses to is how best to apply cloud – in their environment and for their people.

We propose **three actions** to help financial services businesses improve their cloud maturity – that is, to increase the adoption of, and better use of cloud-enabled technologies in their operations. These actions reflect the behaviours of the best-performing businesses in the financial services sector, and the success stories we have heard from the businesses we consulted with.

## Invest time

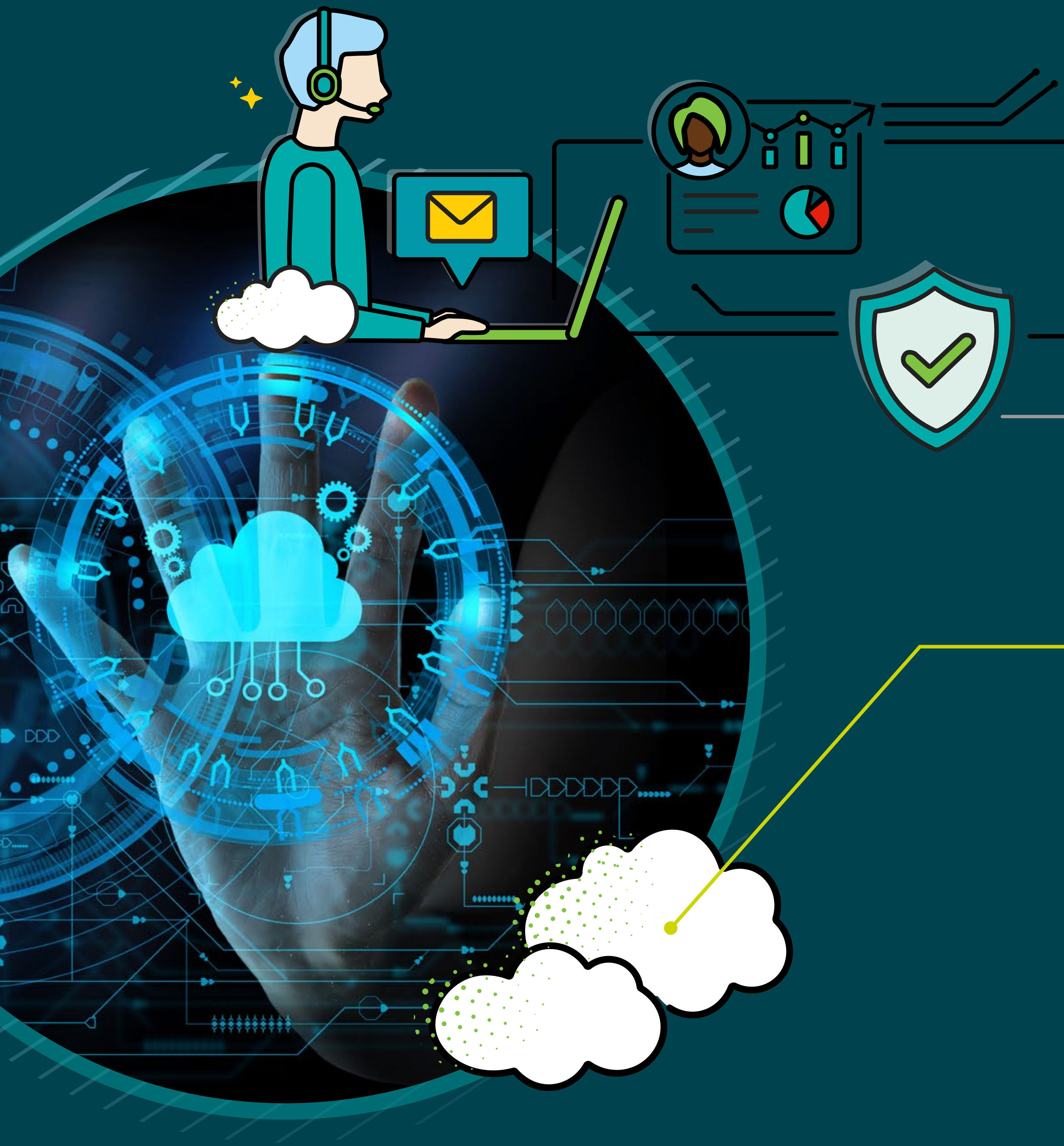
Making sure that leaders across the firm understand the benefits of cloud and can ensure buy-in to the transformation strategy. This means explaining the applications of cloud (AI, Machine Learning, IoT) and communicating the efficiency, scale and realisability benefits of digital systems. Firms should compare themselves to other industries to understand what others are doing with cloud technology.

## Track success

Ensure that leaders track success and firms should benchmark themselves against other. Across the sector, cloud leaders are using both technology-based KPIs and revenue-based KPIs to track processes, ensure this is done annually as technology changes rapidly. It means judging the impacts across several areas including employee engagement, innovation, and reliability, not just cost reduction.

## Roadblocks and barriers

Be aware of common roadblocks and barriers to cloud adoption. For many businesses, it's underlying issues like data quality and legacy systems which are stalling progress. Tacking these issues from the ground up can ensure that they don't become roadblocks later on. If firms are struggling to make the case for a big change to be in the cloud with key data and applications, consider shifting certain parts of business activity to solve particular defined problems.



# 5 | Google Point of view

## Cloud transformation FSI Australia

# Financial services AU/NZ

## How is the cloud helping the sector evolve?

The cloud is accelerating change across almost every sector, and the financial services industry (FSI) is front-and-centre for this transformation. For Australian and New Zealand operators, how is the cloud's evolution impacting their growth as well as their relationships with consumers? It all starts with embracing a digital mindset.

### Moving into a digital mindset

If you want your financial services firm to adopt a digital-first mindset and a digital-first culture, you have to move from a project to product mindset. That requires a fundamentally different way of working and operating than your business has conducted itself to this point. At the heart of this cultural shift are three elements:

- **Talent:** Your employees must be a prominent part of your cloud transformation – emphasise the digital product management mindset for lasting results.
- **Processes:** You need processes that support the shift to digital. For many firms, this will be a well-trodden path – agile work methods, continuous delivery, fast-release cycles, DevOps, as well as the cultural aspects.
- **Technology:** You need the right platform for the job, as well as the right cloud partner who can help you transition to digital operations. The cloud is your way to leapfrog your competitors' technology stack by providing readymade AI/ML, Engineer and Industry based customer experience and risk & compliance solutions.

### Who's doing it well?

Many companies are already taking the bull by the horns and pushing revolutionary services driven by the cloud. They are creating separate internal entities to spin up digital teams, which gives them the ability to iterate quickly and solve all the various problems facing organisations and their customers in the digital age.

Through the power of the cloud, these innovative business arms are leveraging e-commerce, technology, media, and data to transform the customer experience while also solving their problems. But while the cloud can indeed be a solution to many issues, FSI businesses in particular are facing their own unique challenges.

### Key challenges facing FSI – and how the cloud is helping

Even before COVID-19 disrupted global markets, the financial services industry was under public scrutiny, especially following the final report from the Financial Services Royal Commission in 2019. Now, FSI businesses will be monitored closely in how they respond to challenges in this complex operating environment.

In terms of non-financial challenges, Deloitte research found "meeting society's broader expectations of your financial institution", "an evolving regulatory environment" and "managing emerging technology risks" were chief among their concerns. The good news is that by allowing for more connected interactions with customers and employees, cloud-enabled technologies are helping businesses overcome these hurdles.

For financial challenges, the same Deloitte research found FSI firms' top concerns included "operating in a low interest rate environment", "operating with COVID-19 restrictions" and "keeping up with customer service expectations". Again, the cloud is supporting businesses through these challenges – by enabling engagement with customers, supporting operational efficiency, driving innovation, and managing risk.

### How to build more personalised experiences to solve customer problems

Before you can start improving the customer experience, financial services firms need to understand exactly how they can lift cloud maturity. As we outlined in our recent report, "Embracing cloud transformation: Benefits for the financial services industry in Australia and New Zealand", this can only be ignited by three key actions:

1. **Invest time:** From the C-suite to your newest recruit, everyone within your firm needs to understand the benefits of the cloud in order to get total buy-in for your transformation strategy.
2. **Track success:** Benchmarking is essential for a successful cloud rollout. Using technology-based and revenue-based KPIs to track processes – not just once, but on an ongoing basis – will ensure you are investing in the right areas at the right time.
3. **Roadblocks and barriers:** No cloud transformation is without its hurdles. From legacy systems to poor data quality, ensure you tackle roadblocks as soon as they appear, so they don't create bigger struggles further down the line.

Once you streamline cloud adoption in your own business – and start leveraging all the relevant applications of it, such as AI and analytics for better decision-making – only then can you start to use this technology to solve customer problems.

Armed with the data that is now collected, housed and analysed in your cloud platform, you can find out exactly what your customers' pain points are. What products or services do they want from you?

How do they want to interact with you (e.g. face-to-face, online-only, SMS or email) – and how regularly? And what common roadblocks are they experiencing throughout their interactions with your firm?

Being able to see this data clearly means you can quickly and easily roll out a more personalised customer journey, with a focus on keeping digital data secure – one that will not only mean happier clients, but also attract new potential customers to your business, some of which haven't shifted to a digital landscape yet.

At its core, cloud is transforming the Financial Services Industry, and businesses who shift to a digital mindset will benefit most from these changes – and so will their customers:

- Financial services are now inextricably linked with the cloud.
- Customers expect businesses to know what they want and be able to meet those needs.
- The digital tools are at your disposal – it's simply a matter of recognising which tools will make your firm more successful, and then cultivating a work environment that is no longer resistant to the cloud, but able to thrive in it.

**The time to digitise is now and we have some more great examples to share. Get in touch with the authors to find out more.**

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