

Acquia
EXPERIENCE DIGITAL FREEDOM

FinServ Today

***MEETING CUSTOMER
EXPECTATIONS IN
UNPRECEDENTED
TIMES***

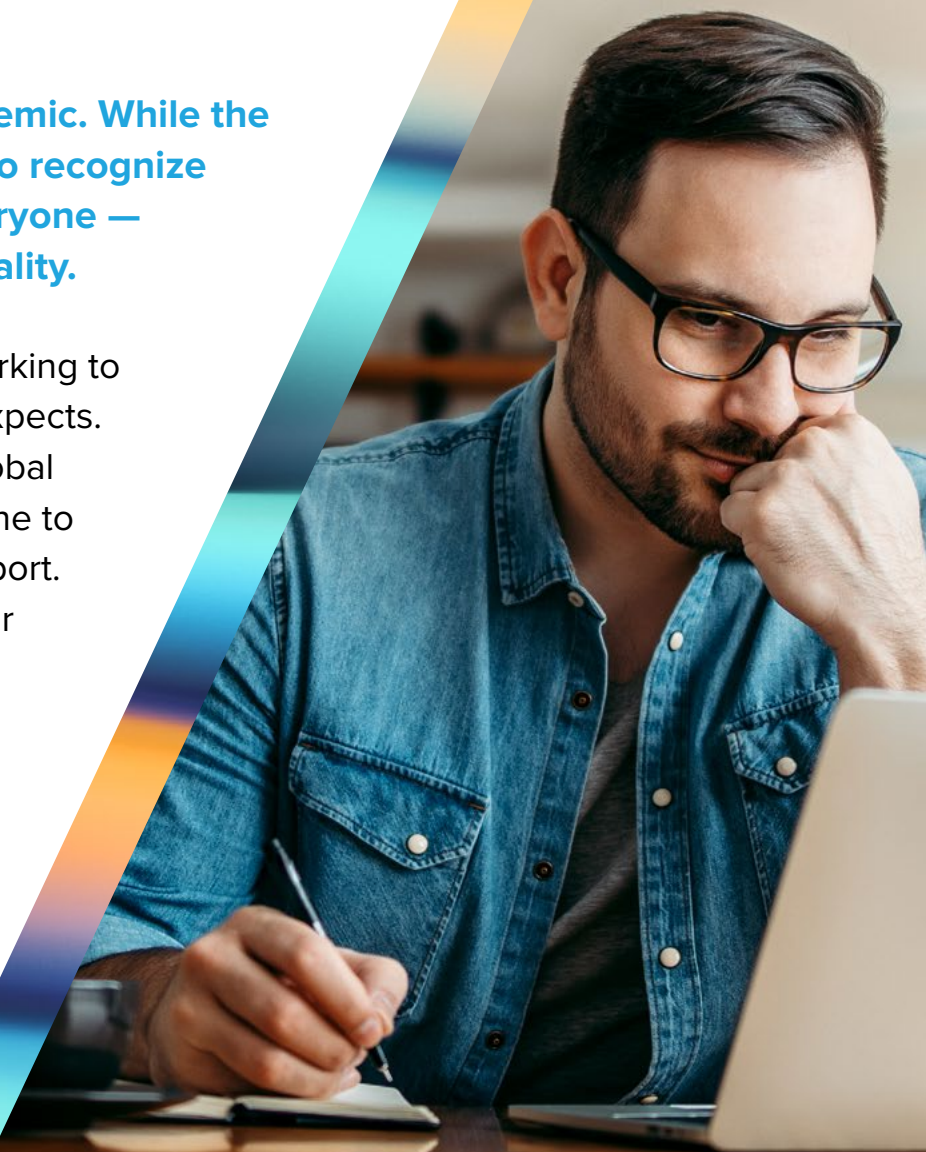


INTRODUCTION

It's difficult to overstate the impact of the COVID-19 pandemic. While the human toll remains the most crucial focus, it's important to recognize that a new emotional reality has taken hold, plunging everyone — brands, communities, nations — into a new, digital-first reality.

In the pre-pandemic world, FinServ companies were already working to provide the exceptional digital experiences today's consumer expects. But now, as unemployment climbs, businesses shutter, and a global recession looms, the financial services industry serves as a lifeline to customers around the world in need of vital assistance and support. Leading in this environment means accelerating efforts to deliver exceptional customer experiences by tapping into resilience, innovation, and ingenuity.

Let's look at some of the concrete impacts the FinServ industry is currently experiencing, and may face going forward.



Behind Closed Doors

With customers around the world under stay-at-home orders or reluctant to go out, banks have reduced hours and closed entire branches, putting substantial strain on other areas of the organization. Record numbers of customers are frantically trying to contact financial service providers with questions, concerns, or requests for assistance, leaving call centers overwhelmed. JPMorgan Chase offered call center staff a \$1,000 incentive to keep working. Barclays is paying frontline staff triple overtime to ensure call centers are fully staffed.

Bank Business is Slow

With consumer spending grinding to a halt, the revenue streams FinServ companies are accustomed to have slowed, as well. The Consumer Financial Protection Bureau has reported that the pandemic has resulted in a substantial decline in consumer credit applications, with mortgage inquiries dropping 27 percent and auto loan inquiries down 52 percent.

Remote Work Brings Regulatory Challenges

Millions of FinServ employees are now working remotely. Up to 90 percent of the staff of BlackRock is working from home, a situation described by CEO Larry Fink as “no small task.” Remote work poses new regulatory challenges for financial institutions. State regulators are issuing guidance to relax some legal requirements and allow regulated employees to work remotely. Mortgage lenders are requesting waivers from Fannie Mae, Freddie Mac, and the Federal Housing Finance Administration to allow for verbal income verifications.

“Given the nature of the crisis, all hands should be on deck, all available tools should be used.”

Christine Lagarde
President, European Central Bank

Fintech is Up, Fintech is Down

Fintech companies are well situated to manage both the demand for digital services and the switch to remote working. Additionally, some traditional banks may look to fintech firms for assistance in bringing better digital banking solutions to their customers.

The economic impacts of the pandemic may force governments to stimulate fintech's expansion. In an attempt to jumpstart its economy, South Korea has already eased regulations on fintech, and the World Health Organization is encouraging a shift toward contactless payment technology.

However, some fintech firms may face funding uncertainties. The potential lack of financing could force them to form partnerships with traditional banking organizations. Some early-stage fintech firms may not survive.

Fintech firms in the payments sector will be impacted by the expected drop in transactions at all levels of the economy, worldwide. That means fewer fees collected, lower profitability, and decreased valuations.

“The crisis will speed up certain changes that were happening. Before you know it, paper money will largely disappear as people are not taking cash out of the ATM. I don’t think there’s any going back now to branches.”

Anne Boden
CEO, Starling Bank

A Pipeline to Government Aid

Governments have put together financial rescue packages that must reach those who urgently need them. In the U.S., banks are serving as the conduit for a range of government-sponsored financial assistance programs, such as the Paycheck Protection Program. As the American Bankers Association stated, “America’s banks are working in partnership with the federal government to get these new funds to businesses in need as quickly as possible.”

These relief efforts got off to a somewhat unsteady start, with application websites crashing, funds depleting quickly, and aid going to some seemingly unqualified recipients. Intense scrutiny of both borrowers and lenders is imminent.

Insurers Take a Hit

While insurers deal with record high claim volume, wait times for responses lengthen and customers grow more anxious and disgruntled. Businesses and consumers are finding their policies may not cover the impacts of a global pandemic, and are publicly expressing their displeasure.

Payouts on policies will be massive, and could put companies in serious jeopardy. UK insurers are expecting 275 million GBP in COVID-19 travel related claims in 2020. Swiss Re may need to pay out 250 million GBP due to cancellation of the 2020 Olympic Games — a number that could double if all major events it covered this year are canceled.

Regulators are forcing insurers to do more for customers. The UK has ordered insurers to pay out or explain themselves to regulators. Legislators in some U.S. states have introduced bills that would force retroactive cover of business interruption claims.

A Glimpse into What's Next

The crisis presents a unique opportunity for FinServ digital teams to ramp up and provide digital service across a much wider range of wealth brackets, age groups, geographies, and use cases.

The pandemic will accelerate the shift to digital, and permanently reshape the financial services industry. Survival depends on the ability to evolve. Rapid change creates opportunity for fast-moving digital businesses. Moving forward:

- Opening a new account will require digital identity verification
- The majority of transactions will utilize digital payments
- Many customers will need help acclimating to digital finance
- The industry has a responsibility to help ensure customers aren't excluded due to lack of knowledge or resources



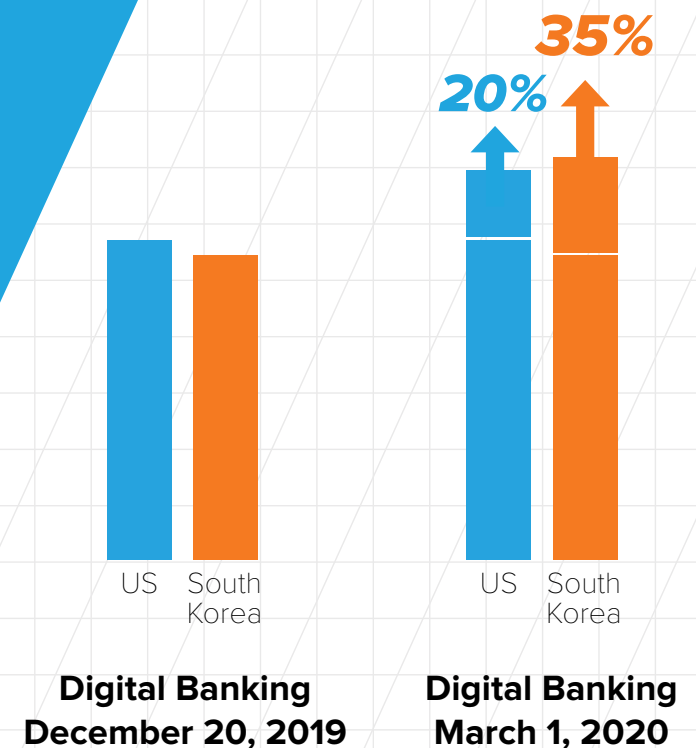
EXISTING DISRUPTION, ACCELERATED

Even before the global pandemic, FinServ companies were working to make the most of advances in technology and adapt to changes in consumer expectations. The ongoing impacts of the virus are certain to continue that dynamic of change.

TREND 1

Consumers Are Expecting More

As consumers become accustomed to receiving comprehensive digital servicing from more industries, their expectations have risen accordingly. Before the pandemic hit, today's consumer had already established a preference for digital experiences over face-to-face or call center interactions. Younger customers in particular expect to be able to use their mobile devices for everything—opening accounts, getting quotes, and completing transactions. As millennials begin to buy cars and homes, financial services providers must provide the digital experiences they expect if they are to remain relevant.



TREND 2

Disruptive Start-Ups are Innovating and Growing

Before the pandemic, new competitors were entering the FinServ market on a seemingly daily basis, bringing disruption, as well as real competition. Largely lacking a physical presence, these digital natives are primed to provide the “new normal” in financial services.

According to research from PwC, 30% of consumers plan to increase their usage of non-traditional financial service providers, with only 39% planning to remain

with traditional organizations. Insurance innovators are focusing on the growing demands for customized products. For example, millennials’ disinclination to drive is making new low-cost, pay-per-mile car insurance increasingly popular. In banking, the adoption of peer-to-peer payment systems, such as Venmo looks poised to continue to grow as cash — and even physical credit cards — lose their appeal.

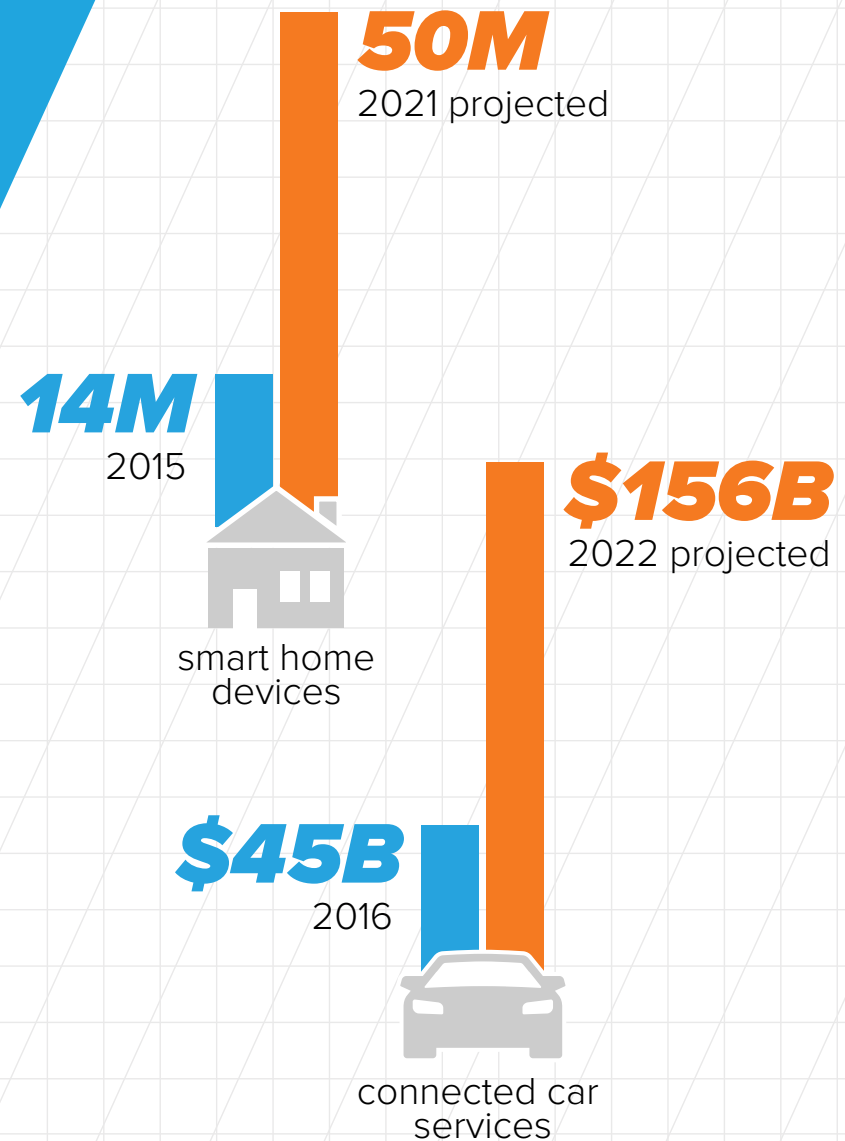


TREND 3

Data is Proliferating

Advanced analytics and automation are producing ever-increasing troves of customer data which, when correctly analyzed and used, can put the right offer in front of the customer at the right time. The expanding field of telematics, which deals with the long-distance transmission of computerized information, promises to significantly increase the amount and types of information available. The Internet of Things, which includes smart home devices, gives FinServ firms a new opportunity to learn from customers in order to serve them better.

If FinServ companies are able to harness these new sources of information, they can streamline their operations while improving customer experiences and lowering costs. But comprehensive data availability brings new security threats, meaning firms must dedicate resources to minimizing risk and reassuring customers.



CHALLENGES FACING THE FINSERV INDUSTRY

Although advances in technology and changes in consumer behavior undoubtedly present significant opportunities to FinServ companies, those opportunities aren't without their unique challenges.

Intuitive, Customer-Centric Solutions are Crucial across Touchpoints

The industry as a whole has been slow to respond to the technological transformation, and traditional firms haven't been keeping pace with consumers. According to Forrester, one-third of customers feel "all banks are basically the same," a statement that highlights the importance of creating differentiated customer experiences. FinServ firms had in-person interactions with less than half of their customers in 2018. Instead, those customers turned to digital self-service experiences first, making the quality of those interactions crucial. Given the current dynamic, digital is likely to be the primary way customers interact with providers going forward.

Fragmented Legacy Processes Obstruct Progress

Out-of-date technology, often implemented on fragmented systems without thought to future integration, leads to disrupted customer experiences, challenges to security and scalability, and an inability to use data spread across the business. In addition, transparent fee structures/pricing and online quote and application capabilities have levelled the playing field. To thrive, FinServ firms must implement digital strategies that keep them connected to customers as their needs evolve.

Integrating Innovative Thinking into Established Processes is Difficult

When compared with other industries, FinServ is digitally immature, leashed to outdated processes, and in need of accelerated digital business transformation. For example, a survey by Gartner, Inc. and LOMA revealed 49% of North American life insurers surveyed had no digital strategy in place, and many also lacked an understanding of how digitalization can help transform their business models.

Size, organizational structure, and even outmoded leadership styles slow the delivery of the solutions customers are already receiving from other industries. The gamut of services offered touches every area of customers' lives, and is ripe for reimagining new business models and new technologies that improve customer engagement and build better relationships.

“Financial institutions that effectively leverage data and advanced analytics across the enterprise will be in a position to capitalize on newer technologies such as machine learning and automation. Those firms who fall behind will need to quickly overcome barriers that are preventing them from enjoying the benefits of advanced analytics or they will find themselves too far behind to catch up.”

David Gerbino, Principal, DMG Consulting



PRIORITIES TO HELP FINSERV FIRMS NOW, AND POST-PANDEMIC

1 / Speed to Market of Applications and Functionality

Implementing faster development cycles will enable firms to catch up to consumer preferences, respond quickly to endless market changes and competitors' actions, boost their own competitive edge, and provide what consumers need, now.

2 / Data Security

The constant stream of corporate data breach events has left consumers increasingly wary. The Equifax breach in 2017 put the private information of more than 143 million Americans at risk—roughly half the U.S. population. The high level of personal and financial data involved in the FinServ markets potentially creates increased vulnerability, requiring greater diligence.

3 / Continuous Improvement

From mobile technology to artificial intelligence, FinServ firms must utilize technological advances as they arise, with an eye toward providing consumers with even simpler processes and more efficient service.

4 / Cost Control

IT costs related to development, deployment, and maintenance can be minimized by taking advantage of cloud computing technologies.

FINDING THE WAY: HOW ACQUIA CAN HELP, RIGHT NOW

Delivering the experiences this extraordinary moment demands, and using those experiences to build a bridge to the future, calls for tools that are open, intelligent, flexible, scalable and secure. Data-driven FinServ customer experience leaders understand that, if they wait for the pandemic to pass and the “new normal” to arrive before taking action, they’ll be left behind.

Now is the time to take steps to transform the customer experience, and invest in tools that offer adaptive intelligence, while enabling experimentation, exploration and innovation.

Customers want an increasingly intuitive, fully personalized digital experience—right now. For FinServ companies, the goal is better control of the brand’s digital assets,

“Our research demonstrates that companies that do not aggressively establish an enterprise-wide digital program will fall behind, leaving them vulnerable to traditional and nontraditional competitors.”

James Huffman, senior vice president, management solutions, LOMA

and the effective use of analytics and insight to drive the most efficient journey of prospective and converted customers. Digging for data and insights to understand the true effectiveness of each effort is key. Knowing what's working, what's not, and where the gaps lie are all vitally important.

Acquia is the trusted expert for Open Digital Experience Platforms and the pioneering partner that can help companies rise to the occasion, and meet the unprecedented challenges the pandemic presents — starting today.

Acquia powers websites, applications and online experiences for 4,000 organizations, including some of the largest brands worldwide. You can build, design and run personalized digital experiences for today's media and entertainment consumers quickly and easily — all built on open-source pioneer Drupal with the required security.

Gain control of your digital assets, deliver the right content at the right time, and tap into the data and insights you need to understand what works, what doesn't, and why. Meet your prospective and converted customers with what they need at every step of the journey.

CONTACT ACQUIA

To learn about how Acquia can help you deliver a consumer-first experience, please contact us at sales@acquia.com.

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