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5 Major Trends Impacting the Financial Services Industry



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The COVID-19 health crisis has forced organizations to pivot to new ways of working. Companies and government agencies are fighting to maintain business continuity while helping their customers, employees and other stakeholders cope with the stress of a health crisis. For banks and financial services institutions, the pandemic has had a major impact on both consumer and commercial banking.

In the past 12 months, banks have had to shift customer-facing processes to digital – years ahead of schedule – while also moving staff to remote work environments and dealing with increased support call volumes. According to [Deloitte](#), “the future showed up early” in the banking and investment management sectors and there is an “inextricable link between recovering from COVID-19’s impact and transforming operations to power success in the years ahead.”

Let’s dive into five major trends that will continue to impact the financial services industry in the months to come and discuss how organizations can set themselves up for success.

1. Customers will increasingly prefer to self serve on digital channels with higher expectations for 24/7 speed and simplicity.

Prior to the pandemic, customers were already becoming increasingly interested in a digital-first approach. According to [IDC](#), 40% of in-branch appointments will be initiated on digital platforms and then fulfilled by specialists by 2022 and by 2023, 75% of all consumer and small business loans will be originated through AI-enabled and automated processes.

The pandemic only accelerated this, driving businesses to shift budgets toward investing in technology that improves or enables customer self-service through digital and mobile channels. Customer movement toward mobile-first experiences will likely become more commonplace, and it will be crucial to bring more engaging experiences, such as video chat, within the confines of mobile. Contactless financial transactions are here to stay.

At the same time, all of this digital activity has put a spotlight on fraud and data management. Financial services firms will continue to accelerate investment in technology to automate fraud protection around areas like identity verification and biometrics, as well as other digital solutions to improve internal efficiencies and reduce the need for employees to handle paper or continue manual work.

2. Fintech competitors will continue to disrupt.

Banks have been facing disruption from new fintech competitors for several years and this will continue. Several challenger financial institutions are entering the market as mobile-only banking providers. Apple, for example, has [partnered with Goldman Sachs](#) on a credit card offering, while [Google has partnered with Citigroup](#) to offer checking accounts. These trends will drive banks to explore and launch “born-digital” products that are increasingly autonomous and embedded in digital ecosystems. Many fintechs and challenger banks are attracting consumers with new account features, such as [paycheck management](#).

3. Conversational banking and real-time engagement will be competitive differentiators.

Banking leaders will continue to focus on driving positive emotions and showing empathy through digital communications, however this this will be driven by robots, not humans. In 2021, banks will continue investing in the idea of “conversational banking,” using chatbots, SMS messaging and mobile apps to enable real-time engagement. According to [Celent](#), 89% of firms are increasing budget investment in mobile and online banking.

We can anticipate that banks will need to prioritize mobile, focusing on alerts and notifications, secure messaging, card and data management and conversation services to assist customers. Furthermore, banks are looking to use incoming information, coupled with known data, to dynamically generate “next best offers” or other recommendations to engage and deepen client relationships.

4. Customers facing financial hardships will be top-of-mind.

In 2021, banks will still be dealing with defaults and lower deposits because of economic hardships created by the COVID-19 crisis. Businesses and individuals facing financial difficulties need to know how to work with their banks and lenders to negotiate loans and loan forgiveness, and banks that focus on loss mitigation without communicating empathy risk losing those customers.

At the same time, financial institutions are looking to minimize losses. In 2021, many banks will be working to identify customers that are at a higher risk of financial vulnerability, even before they have reached out to the bank, to help these individuals stay solvent and manage their expenses during an uncertain time.

In the UK, federal regulators are asking banks and insurers to use data and analytics, along with automated processes, to identify and respond appropriately to “vulnerable” customers, which includes those undergoing financial hardship. The [Financial Conduct Authority](#) wants firms to [understand the needs of vulnerable customers](#) in its target market and design products, services and communications to meet those needs.

5. Data will be the linchpin to providing a seamless, consistent customer experience.

All of these efforts rely on centralizing data, a challenge many institutions face as they cobble together “best-of-breed” systems to support various lines of business and channels. These various systems often have their own mechanism for producing client communications, which leads to inconsistent messaging, compliance challenges, and internal inefficiencies.

Although several customer channels will remain collection points for customer interactions, banks looking to improve customer engagement will need to invest in ways to aggregate and manage that data in common resource points. This will enable customer experience leaders across the business to analyze behavior and then build orchestrated journeys with relevant content— whenever and wherever they want to manage their money.

Interested in learning more? Smart Communications recently collected insights from industry thought leaders to uncover major trends that will impact how businesses communicate with their customers in 2021. Check out the full [eBook](#) today!



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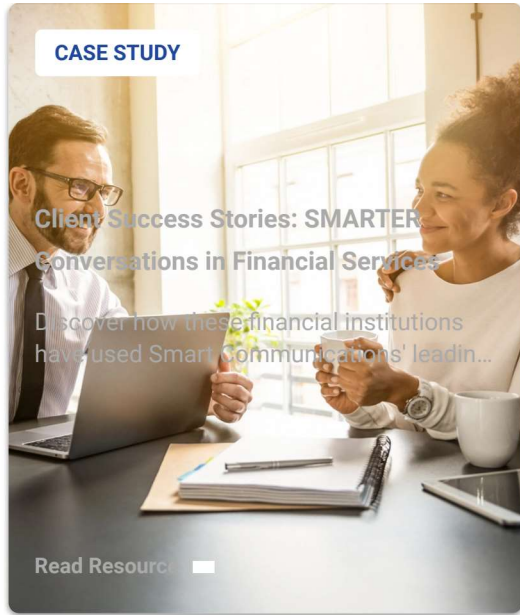
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