MuleSoft®

THROUGH THE INDUSTRY LENS

The state of digital transformation for financial services

INSIGHTS FROM THE 2022 CONNECTIVITY BENCHMARK REPORT

In collaboration with **Deloitte Digital**

What you'll find in this report

MuleSoft's seventh annual [Connectivity Benchmark Report](#), in partnership with Vanson Bourne, was produced from interviews with 1,050 IT leaders across the globe (of which 118 came from the financial services and insurance sector).

We conducted an online survey between October - November 2021 across the United States, the United Kingdom, France, Germany, the Netherlands, Australia, Singapore, Hong Kong, and Japan. We ensured that only suitable candidates participated in the survey by using a rigorous, multi-level screening process.

Respondents are all IT leaders, which are defined as those who hold a managerial position or above in an IT department. All respondents work at an enterprise organization in the public or private sector with at least 1,000 employees.

>1,000 IT LEADERS

WITH 118 RESPONDENTS FROM RETAIL AND CONSUMER GOODS ORGANIZATIONS

9 COUNTRIES

NUMBER OF COUNTRIES COVERED WITHIN THE SURVEY

IT MANAGER+

RESPONDENTS WERE ALL IT DECISION MAKERS AND/ OR INFLUENCERS WITHIN THEIR ORGANIZATION, WITH TITLES AT MANAGER OR ABOVE

Executive letter

Digital agility is essential to successful transformation, allowing financial services and insurance providers to drive innovation at scale, deliver new projects faster and create the services that customers want.

Those companies that can build a foundation of digital agility will be best positioned to adapt to change quickly without being slowed by IT or operations bottlenecks.

A modern strategy that combines integration, API management and automation is central to achieving digital agility, enabling companies to easily connect and integrate the data, applications, and partners that power the financial services products that customers expect to be available when they want it, where they want it.

We are now entering the era of the composable enterprise. This allows anyone to draw from existing digital capabilities when building new products and services without having to start from scratch every time. Such an approach increases digital agility by easing the pressure on IT and freeing up time for innovation at a time when financial services and insurance providers need to deliver customer value quicker than ever.

KURT ANDERSON, MANAGING DIRECTOR AND API TRANSFORMATION LEADER, DELOITTE CONSULTING LLP

Introduction

The financial services and insurance sector doubled down on digital transformation as many did during the pandemic. It needed to support the mass shift to remote working for employees, make business processes more efficient, and serve a new influx of digital customers.

But customer expectations for financial and insurance services are now sky high and competition is fierce. That raises the cost significantly for failed innovation projects.

The 2022 Connectivity Benchmark Report looks at the impact of failing to complete digital transformation projects, the challenges financial services and insurance organizations face integrating user experiences, and how API-led connectivity can drive business value.

The financial impact of digital transformation failure is significant

IT decision makers (ITDMs) in the financial services and insurance sector believe that, on average, their organization could lose more than **$7.5 million ($7,647,629)** if their digital transformation initiatives aren't successfully completed.

This comes at time when the emergence of fintech/insurtech competition has increased pressure on the financial services and insurance sector to transform. While it has become much easier for traditional players to adopt SaaS solutions for many core functions, it is clear many can't move fast enough.

The pace of digital change shows no sign of slowing down

In fact, almost all **(94%)** ITDMs in the financial services and insurance sector believe that the speed of digital transformation has increased over the last 5 years.

This transformation has undoubtedly been accelerated by the pandemic, which has seen a growing number of consumers shift to using digital channels for banking and insurance.

However, there has also been a general drive across the sector to remove paper-based processes across customer-facing and back-office operations as organizations strive to improve efficiency and customer experience.

THINKING ABOUT YOUR COMPANY'S DIGITAL TRANSFORMATION INITIATIVE(S), APPROXIMATELY HOW MUCH REVENUE DO YOU THINK YOUR ORGANIZATION COULD LOSE IF THEY AREN'T SUCCESSFULLY COMPLETED?

USD $7,647,629

TO WHAT EXTENT DO YOU BELIEVE THAT THE SPEED THAT DIGITAL TRANSFORMATION TAKES PLACE HAS CHANGED IN YOUR ORGANIZATION IN THE LAST 5 YEARS?

94%
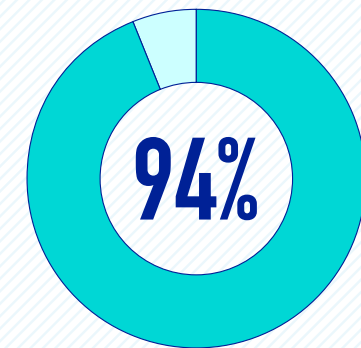
PERCENT WHO BELIEVE IT HAS INCREASED

Integrating user experiences remains a challenge

One area where financial services and insurance organizations continue to face challenges is providing a truly connected customer experience.

More than half **(58%)** of ITDMs surveyed across the sector said it was difficult for their organization to integrate end-user experiences, which was higher than the overall industry average **(55%)**.

The biggest challenges are:

→ Data silos (54%).

→ Outdated IT infrastructure (51%).

→ Security and governance (49%).

With the right API-led connectivity approach, the same organizations can overcome these roadblocks to drive operational efficiency, customer engagement, and revenue.

Learn how Wells Fargo is building a Banking-as-a-Service platform to deliver a seamless customer experience. Read their story

HOW DIFFICULT IS IT FOR YOUR ORGANIZATION TO INTEGRATE END-USER EXPERIENCES?
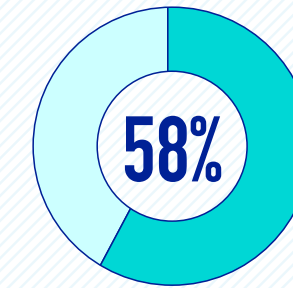
58% ORGANIZATIONS THAT SAY IT IS DIFFICULT TO INTEGRATE END-USER EXPERIENCES

WHAT MAKES IT DIFFICULT FOR YOUR ORGANIZATION TO INTEGRATE END-USER EXPERIENCES?

54% DATA SILOS

51% OUTDATED IT INFRASTRUCTURE

49% SECURITY AND GOVERNANCE CHALLENGES
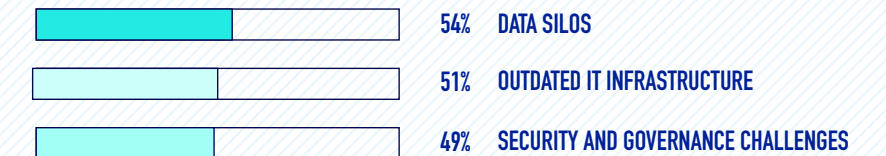
IT teams struggling to keep up with demand

The digital transformation demands on IT teams across the financial services and insurance sector are rising, but just **35%** of ITDMs said they were able to deliver all their projects in the last 12 months – much lower than the global average **(44%)**. Further to this, more than half **(51%)** of projects were not delivered on time.

These figure aren't surprising as IT teams have had to split their time between

supporting digital transformation efforts and maintaining business and IT operations during the pandemic. This has resulted in many project timelines being extended.
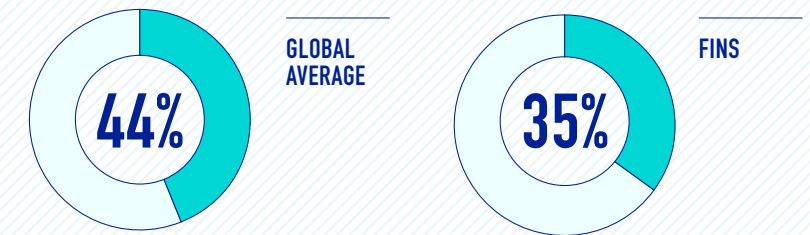
Many financial services and insurance organizations simply don't have the size or resources of the larger investment banks, so there is a need to do more with less.

Custom code and legacy systems create complexity and slow project delivery speed. Hear how UPC Insurance increased speed and agility with an API-led connectivity approach. Watch the webinar

WERE YOU ABLE TO DELIVER ALL THE PROJECTS ASKED OF YOU LAST YEAR?

PERCENTAGE OF ORGANIZATIONS THAT COMPLETED ALL PROJECTS LAST YEAR:

44% GLOBAL AVERAGE

35% FINS

WHAT PERCENTAGE OF PROJECTS ASKED OF YOU WERE NOT DELIVERED ON TIME LAST YEAR?

51% AVERAGE RESPONSE
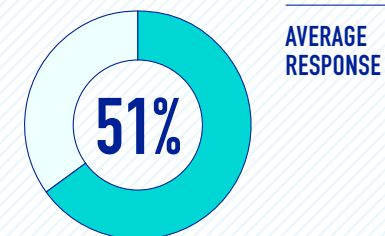
Delivering fast time to value through reuse

In an effort to drive faster time-to-value and cost efficiency, many financial services and insurance organizations are turning to API-led connectivity and reuse.

On average, just under half **(47%)** of organizations' internal software assets and components (e.g., code, APIs, best practice templates) are available for developers to reuse.

At a time when many financial services and insurance organizations are competing with the tech giants for the best developer talent, adopting a policy of reuse means that that they don't need to start at square one for every project.

APIs drive revenue

API-led strategies have increasingly been adopted by both established providers and new entrants. On average, over a third **(35%)** of organizations' revenue was driven by technology and API-related implementations.
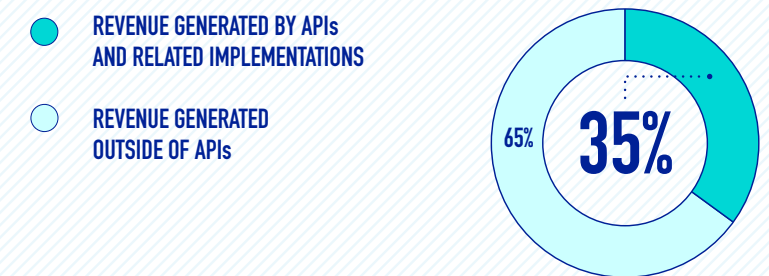
For many financial services and insurance organizations there is still a lot of additional business value to be gained from leveraging APIs, especially when it comes to digitizing and automating end-to-end processes. As organizations across the sector explore this potential, they'll drive the next wave of financial services and insurance innovation.

WHAT PERCENTAGE OF YOUR ORGANIZATION'S INTERNAL SOFTWARE ASSETS AND COMPONENTS (E.G. CODE, APIs, BEST PRACTICE TEMPLATES) ARE AVAILABLE FOR DEVELOPERS TO REUSE?

- SOFTWARE ASSETS AND COMPONENTS THAT ARE REUSABLE
- SOFTWARE ASSETS AND COMPONENTS THAT ARE NOT REUSABLE

53% **47%**
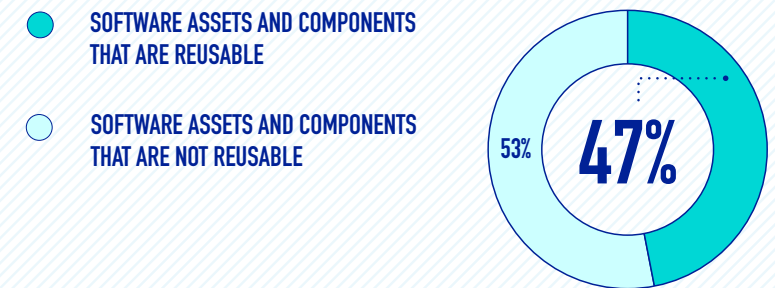
WHAT PERCENTAGE OF YOUR COMPANY'S REVENUE IS GENERATED FROM APIs AND API-RELATED IMPLEMENTATIONS?

- REVENUE GENERATED BY APIs AND RELATED IMPLEMENTATIONS
- REVENUE GENERATED OUTSIDE OF APIs

65% **35%**

Conclusion

Digital transformation initiatives helped many organizations during the pandemic, and the financial services and insurance sector is no exception. They offered these organizations the ability to create seamless ways of serving customers, supporting their remote workers, and driving new operational efficiencies.

However, this transformation has also raised customer expectations higher than they've ever been. Today, simply providing digital banking or insurance services isn't enough. They need to be as connected and frictionless as interactions with a leading fintech/insurtech or big tech brands. To meet those expectations, financial services and insurance organizations need closer alignment between IT and business teams. This collaboration is key to delivering the new integration projects that are a vital driver of digital innovation and customer experience innovation.

Recommendations

For the post-pandemic enterprise, digital transformation has become a critical driver of customer engagement and employee productivity. Yet data silos, legacy infrastructure, and IT bottlenecks are a persistent challenge. To overcome these, financial services and insurance organizations must leverage the undoubted benefits of API-led integration. Here's how:

Empower business users

IT departments are struggling – more than in any other industry, financial services teams are failing to deliver on all the projects required of them. Accelerate the speed of digital transformation by enabling business technologists with low- and no-code tools to create new integrated user experiences built on reusable APIs.

Focus on API reuse

Adopt a more flexible, agile, and cost-effective way to create the experiences your users and customers crave with reusable API-led integration. It's faster, more cost effective and means less effort for IT and business users.

Tackle security and governance challenges

Security is an increasingly acute challenge for financial services IT teams as they transition to API-led integration approaches. Organizations must seek vendors that provide multi-layered protection of the data itself, the API that provides access to it, and the perimeter within which the API is deployed.

Create a Single Source of Truth (SSOT)

Data-driven financial services organizations will increasingly dominate as the post-pandemic era unfolds. To keep pace, organizations must first break down longstanding data silos by creating a SSOT to ensure all users are working from the same set of standardized, relevant data. Then it's about using API-led integration to turn this data into meaningful insights and innovative user experiences.

Want to learn more?

Read the full report

Curious how the financial services industry stacks up? Get insights from IT leaders across all industries by reading the entire 2022 Connectivity Benchmark Report. Read the report
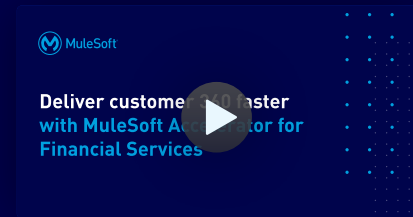
Deliver a seamless customer experience

Find out how MuleSoft Accelerator for Financial Services can help your organization enable real-time relationship management. Watch the webinar

Align to win

Learn about the state of IT and business alignment within financial services to see how integration drives innovation and helps minimize data security risks. Get the report

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