



2022 KPMG U.S. Technology Survey Report

Financial services industry insights



Going all-in on digital transformation

When your business is utterly dependent on impeccable data management and under constant threat of disintermediation by tech-savvy, digitally native start-ups, falling behind on the technology front isn't an option. Nor is it an option when the success of your products is defined by your clients' digital experiences, or when you have a high regulatory bar best met by superior technology practices. Little surprise, then, that financial services firms spend more on technology, as a percentage of their annual budget, than any other industry represented in the 2022 KPMG U.S. Technology Survey.¹ But the survey also reveals that for all that spending, digital transformation remains a work-in-progress for many of them.

Insurance companies account for 57 percent of the financial services firms represented in the survey, while banks account for 33 percent. The remainder are engaged in asset management, capital markets and other financial services fields.



¹ In May and June 2022, KPMG U.S. surveyed 1,052 U.S.-based, executive-level technology leaders across eight broad industry sectors about the current state of their organization's digital transformation journey, the challenges they are facing along that journey, and their planned technology investments. This report highlights the most significant differences in the survey findings for the financial services sector relative to all sectors represented in the survey.

Results largely in line with other sectors— but high around cyber security

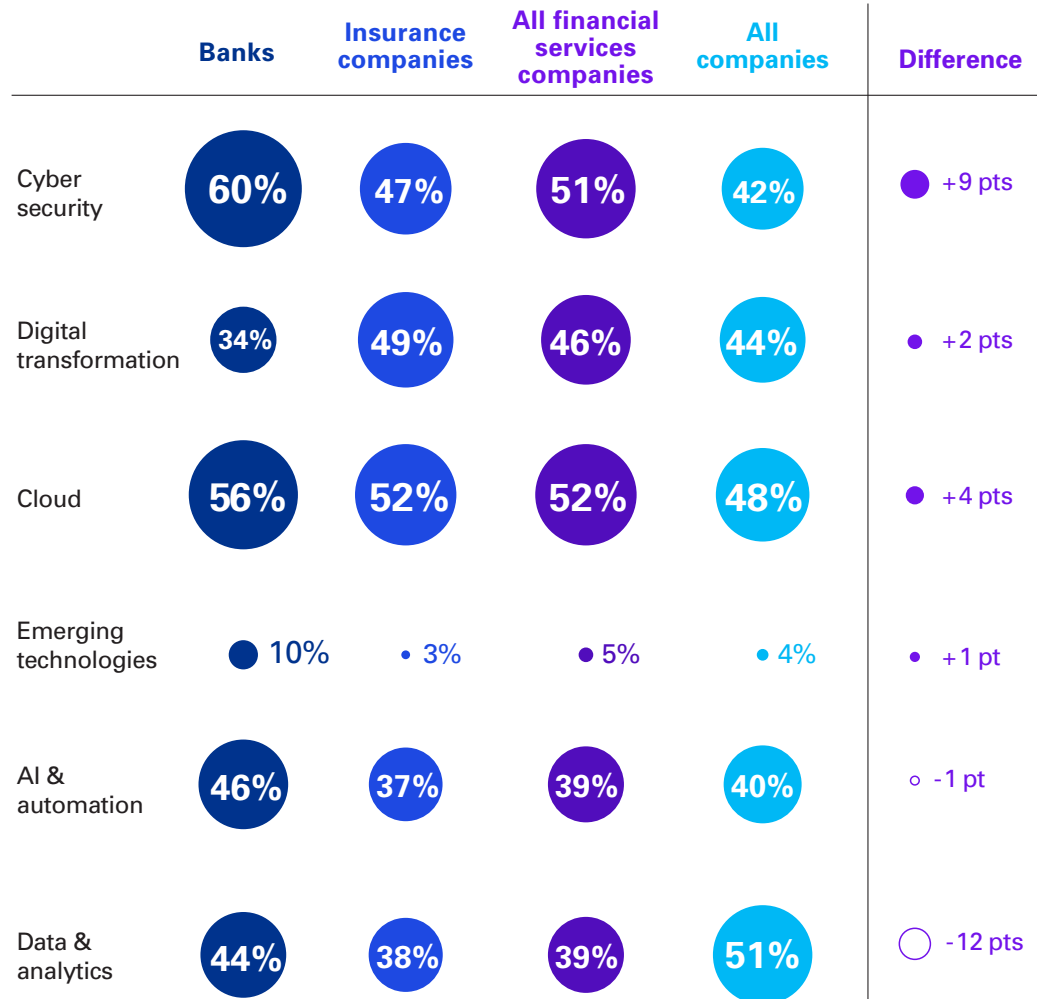
Seventy percent of financial services firms spend 10 percent or more of their annual budget on technology, versus 57 percent of all companies. Banks are especially big spenders, with 80 percent spending 10 percent or more, versus 64 percent of insurance companies.

That said, their results are generally in line with other industries. For example, 66 percent of financial services executives say their organization has been very or extremely effective in using digital technology to advance their business strategy, as do 66 percent of executives at all companies. Financial services firms also are largely in line with others in proactively progressing against their strategy in the areas of artificial intelligence (AI) and automation, cloud, and emerging technologies. (See Figure 1.)

Still, financial services firms aren't always getting the most for their money. Fifty-one percent have seen a 6 percent or more positive impact from digital transformation on their profitability or performance over the past 24 months, but that figure is 57 percent for all companies. Here, banks' additional spending seems to be paying off; 62 percent have seen a positive impact on that magnitude, versus 43 percent of insurance companies.

Figure 1: Keeping pace with the competition—mostly

Percentage of organizations proactive in progressing against their strategy and continually evolving in the following areas:



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.

RESULTS LARGELY IN LINE WITH OTHER SECTORS *continued*

“Financial services firms are spending a tremendous amount of money, but need to ensure they are spending in the right areas and with the right alignment to their strategy,” observes Kevin Martelli, principal, national Cloud Engineering leader, KPMG in the U.S.

As shown in Figure 1 (see page 2), financial services firms are ahead of the curve in the area of cyber security—51 percent are proactively progressing against their cyber security agenda, versus 42 percent of all companies—which makes sense for an industry entrusted with safeguarding its customers’ money.

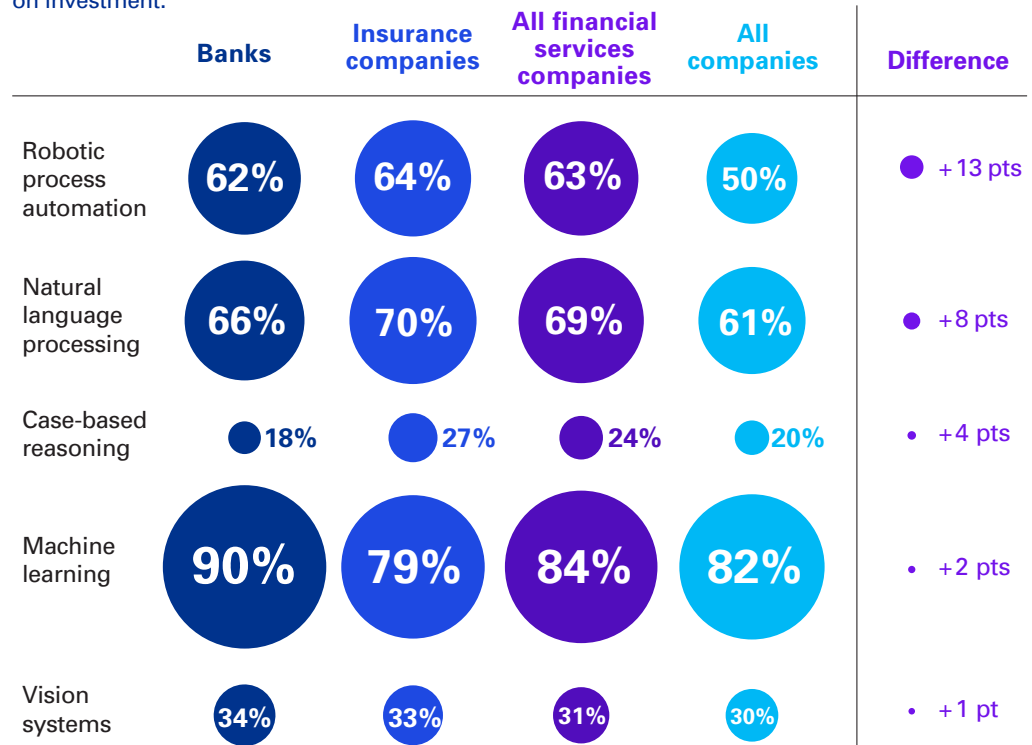
They also rank highly in digital transformation overall, but score behind other industries in data and analytics. In the latter case, the emphasis would appear to be on analytics rather than data management, as only 13 percent of financial services firms identify suboptimal data management as a top-three challenge to adoption of new technologies, versus 29 percent of all companies.

In fact, 63 percent of financial services firms—more than in any other industry—are able to adopt enterprise IT changes, like implementing enterprise software upgrades, quickly and in line with an agreed plan and schedule, versus 53 percent of all companies.

Financial services firms also distinguish themselves from the crowd by being among the most frequent and successful users of robotic process automation (RPA) and natural language processing (NLP). Sixty-three percent have deployed RPA with a positive ROI, versus 50 percent of all companies, and 69 percent have successfully deployed NLP, versus 61 percent of all companies. (See Figure 2.)

Figure 2: Winning with RPA and NLP

Percentage of organizations that have deployed these AI-enabled technologies with a positive return on investment:



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.



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RESULTS LARGELY IN LINE WITH OTHER SECTORS *continued*

While remote work has become popular in the wake of the COVID-19 pandemic, financial services firms are the most likely to see the adoption of remote or hybrid work environments as a top-three challenge to cyber security (45 percent, versus 36 percent of all companies). Banks in particular are wary—56 percent see it as a challenge—while insurance companies are generally in line with all companies (37 percent cite it as a concern).



45% of financial services firms see remote or hybrid work environments as a top-three challenge to cyber security.

Charting a path to digital leadership

As in most industries, one of the biggest challenges facing smart digital transformation agendas at financial services firms is bridging the disconnect between pursuing digitalization through a technology lens versus a business lens. Where strategy does not tie tightly back to the drivers of the business, results are almost inevitably less than optimal.

Thirty-four percent of financial services executives—including 44 percent at banks—say misalignment on outcomes between IT and the business and other stakeholders is a top challenge to progressing against their organization’s cloud journey.

One reason some financial services firms may not feel they’re realizing full value from their investments in digital technology is that digital transformation at the outset of the journey is costly. As organizations migrate to the cloud, for example, they can find themselves maintaining two data centers—and two cost structures—until they are able to fully eliminate redundancies and costs begin to move more aggressively in their favor.

To minimize challenges and realize better results, KPMG encourages financial services firms to approach digital transformation as enterprise-wide undertakings—one in which representatives from every corner of the business have a seat at the table from the outset. Top-down support from the C-suite is, of course, critical, and a “target state” should be defined before the journey begins.

“Financial Services firms must be sure they are replacing key strategic systems that have slipped into technical decay. These systems can represent rising risks, but also present opportunities to reinvent key capabilities within organizations at the cutting edge of competition in today’s markets,” says Nigel Faulkener, Financial Services senior advisor, KPMG in the U.S.



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CHARTING A PATH TO DIGITAL LEADERSHIP *continued*

Financial services firms also will help themselves, the survey results suggest, if they continue to enhance their capabilities around data analytics, given its importance to their competitive stance and their own assessment that they're lagging other industries. For investment firms, the new focus on environmental, social, and governance (ESG) criteria by many investors, and the need for data to support ESG analysis, is just another reason that data and data analytics are becoming more important.

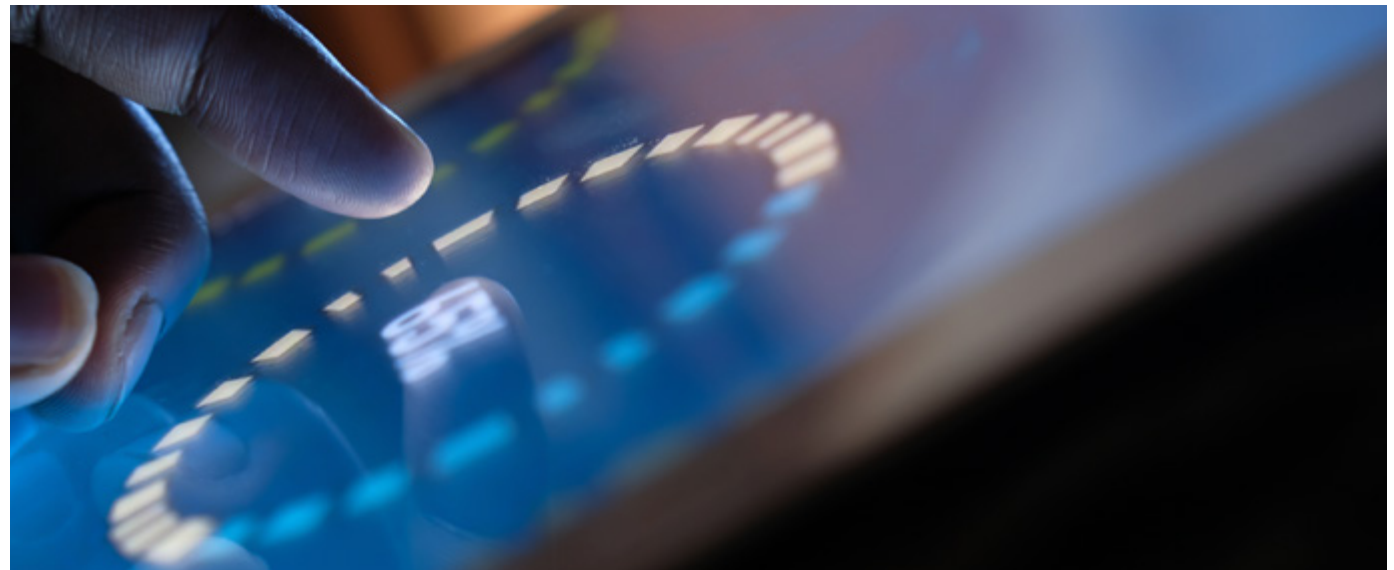
Failure to act expeditiously could be costly.

"The risks of not moving ahead now in areas of need are pretty significant," says Martelli. "More and more business opportunities in the financial services space are going to be driven by digitalization, and companies that don't keep pace will struggle to take advantage of those opportunities and channels."

The challenges won't come just from the usual places, Martelli says, but also from new services made possible by the continued development of cloud platforms from big providers like Google and Microsoft that are being developed specifically for the financial services industry. This will allow new entrants to quickly enter and compete in the market.

Martelli also notes that financial services firms that don't continue to sharpen their digital skills may find themselves struggling to meet their customers where they are through whatever channel they prefer, including, in the not-so-distant future, the metaverse.

"Financial services firms that don't use technology to make their services available in different ways through different channels will find it difficult to maintain and grow market share," Martelli says.



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Unlike business-only consultancies, our more than 15,000 Technology professionals have the resources, the engineering skills and experience, the battle-tested tools and solutions, and the strategic alliances with leading technology companies to help achieve your vision quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials and sector experience to help you deliver measurable business results, not just blinking lights. We're recognized by industry analysts as a leader in advanced technologies: AI and automation, data and analytics, cyber, low-code, and more.

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