But still room to meet growing customer expectations and drive productivity
In 2014, 92% of consumers were transacting online with banking and finance services at least once throughout the year\(^1\). Banking and bill payment is now the 8th most popular smartphone activity – ahead of consumers getting sports news and listening to streamed music or radio\(^2\).

Australia’s financial services (FS) sector is leading the way in digital, with smartphones and social media revolutionising the way FS customers source information, make decisions and interact with providers. The sector’s success in moving the vast majority of customer interactions online – while still offering offline channels – has reduced costs as well as significantly improving customer convenience and service.

FS digital opinion leaders believe the sector is out performing all other industries when it comes to digital experience. Consumers, while nominating entertainment services as their favourite digital experiences, rate financial services as their top commercial service.

However, under pressure from disruptive forces and unprecedented competition – and in the face of growing consumer expectations driven by global entertainment experiences – FS can’t afford to lose momentum.

In 2015, we see significant opportunities to get better returns from the ongoing FS investment in digital. The biggest wins will come from aligning digital tactics, making better use of customer data and harnessing the potential of the digital workplace. Few financial institutions are yet to fully focus on digital productivity – with large portions of their massive workforces still not enabled by digital tools, except at the most basic level.

\(^{1}\) EY Digital Australia: State of the Nation 2014, Consumer survey.
\(^{2}\) Australian Multi-screen Report Quarter 1 2014, Nielsen, OzTAM, Regional TAM
For banks the next digital frontiers will be: payments, m-commerce (with 39% of consumers likely to use their phone to make purchases in store), integrated social media and providing a truly engaging, multi-channel, multi-device customer experience.

Insurers have some catch up work to do to deliver the customised experiences, intuitive toolsets and easy information access that today's informed and empowered customers require.

The superannuation sector should make better use of digital as an engagement mechanism for members. To date the superannuation industry has offered limited digital capability. Most interactions require members to “print, sign and post”. However, funds are now focused on providing members online access to options based on their account balances, life stage and financial goals. A move towards providing “member direct” investment services will increase members' online engagement with their superannuation, supporting the delivery of services via mobile and tablet devices.

With privacy and security remaining top of mind for consumers, institutions also have important opportunities to lead the way in creating trust through being far more transparent about how they use customer data.

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Issues

Accelerating consumer expectations

95% of digital opinion leaders acknowledge that, if institutions fail to offer consumers a high quality digital experience, they run the risk of losing customers. Consumers rate FS as a top commercial digital experience, but now they want to interact with institutions whenever they want, however they want, and wherever they want — and to be able to shift seamlessly between channels.

Digital opinion leaders rank FS as offering consumers the best digital experience in Australia. Consumers rate FS as their top commercial service, after media, entertainment, travel, music, computers/console games and sport. It’s not surprising that consumers rated digital entertainment above their online financial services experience — watching a movie is more fun than paying a bill — but it should give providers pause for thought.

Every day, FS customers have new digital experiences with global brands, and no matter with which sector this takes place, this shapes their view of digital — experiences that are increasingly more engaging, customised and intuitive. To keep up with these ever-growing expectations, most banks and insurers are already undergoing a continual process of iterative refinement to online experiences. Superannuation funds will need to consider how they are relevant to their members when they are making other financial decisions online. In the digital environment, funds will be able to help members to address their superannuation needs in the context of other financial changes.

But they need to do even more to keep up with consumer expectations. To make a significant leap forward, institutions need to make better use of their vast amounts of customer knowledge and effectively harness mobile technologies, including social media, to reshape the service experience.
### Worst sector digital experiences

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>31%</td>
</tr>
<tr>
<td>Utilities</td>
<td>20%</td>
</tr>
<tr>
<td>Gambling</td>
<td>20%</td>
</tr>
<tr>
<td>Insurance</td>
<td>17%</td>
</tr>
<tr>
<td>Investment and superannuation</td>
<td>13%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>12%</td>
</tr>
<tr>
<td>Groceries</td>
<td>11%</td>
</tr>
<tr>
<td>Education</td>
<td>11%</td>
</tr>
<tr>
<td>Financial services</td>
<td>10%</td>
</tr>
<tr>
<td>Automotive</td>
<td>9%</td>
</tr>
<tr>
<td>Magazines</td>
<td>9%</td>
</tr>
<tr>
<td>Clothes and footwear</td>
<td>8%</td>
</tr>
<tr>
<td>Beauty and health products</td>
<td>8%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>8%</td>
</tr>
<tr>
<td>Real estate</td>
<td>7%</td>
</tr>
<tr>
<td>Sport</td>
<td>6%</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>6%</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>3%</td>
</tr>
<tr>
<td>Music</td>
<td>3%</td>
</tr>
<tr>
<td>TV, films and media</td>
<td>3%</td>
</tr>
<tr>
<td>Computer/console games</td>
<td>3%</td>
</tr>
<tr>
<td>Travel</td>
<td>3%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>1%</td>
</tr>
</tbody>
</table>


### Divergent opinions

<table>
<thead>
<tr>
<th>Question</th>
<th>Opinion Leaders</th>
<th>Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is it important that the digital experience replicates the ‘bricks and mortar’ experience?</td>
<td>93%</td>
<td>78%</td>
</tr>
<tr>
<td>Is it important to integrate the website with social media?</td>
<td>56%</td>
<td>39%</td>
</tr>
</tbody>
</table>
Contrary to executive opinion, digital services don’t need to replicate the branch experience. Consumers have different expectations of these channels and use them for different types of services. The bigger issue is that institutions need to make sure that every channel experience – whether online or offline – is consistent in terms of both brand and data.

Customers expect a consistent, multi-channel experience, where they only have to identify themselves or provide information once. What the institution learns and knows about a customer in one channel should be immediately reflected as they move to the next one. This will both ensure the channel is chosen by the customer – not the provider – and reduce the risk of losing prospects on complex journeys, such as mortgage applications. It sounds simple enough, but given legacy issues and the very nature of large banking organisations, this is still an area needing improvement.

The sector was slow to warm up to social media, seeing it more as a risk than an opportunity – and subsequently rushing its eventual entry. As a result, although Australian consumers love social media – with 8 out of 10 using Facebook – they don’t yet see it overlapping with their FS digital experience. Australians’ use of social media in relation to banking activities lags the global average and most Asia-Pacific countries. Only 16% of consumers say social media is their preferred channel for communicating with a provider.

In 2015, we expect to see institutions taking social media more seriously, with more than 80% of digital opinion leaders seeing social media as an important communication channel. This year, it won’t just be used and monitored for PR, it will also be leveraged to better manage complaints. A 2014 survey of global banking customers revealed 42% of those who reported a problem were less than satisfied with the resolution. Critically, those who were satisfied with the resolution increased their business with the institution, while those who were dissatisfied reported closing some or all of their accounts and services.

While firmly on the radar, m-commerce remains another largely untapped frontier for FS, and one that represents enormous potential. Institutions that surge forward will begin using mobile Facebook as a platform for m-commerce services. Currently, just under a fifth of users rely on Facebook to learn more about brands, products and services. Institutions that get social media right, with tailored communications for appropriate platforms, will surge ahead.

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6 Global consumer banking survey, 2014. EY.
7 Ibid.
In 2013, almost three quarters of Australians accessed social media - twice the world average.

“Social media is the first iteration of a two-way consumer feedback loop - which is publicly available for the rest of the market to see. Although it helps to provide a ‘human face’ for institutions, FS providers could do more to realise the gains and manage the risks. There's obviously much more work to be done in this space from a commercial point of view.”

Rob Colwell, EY Customer Advisory Leader

| Types of social media used to review or communicate with brands, products and services |
|-----------------------------------|---|
| Facebook                          | 84 |
| Instagram                         | 62 |
| Twitter                           | 36 |
| Google                            | 20 |
| Linkedin                           | 33 |
Consumers worried about personal information

Despite FS institutions having high levels of maturity in their cyber security, consumers continue to be concerned about the security of their transactions and the privacy of their personal information.

Recent debate around data analytics and privacy has reignited consumer fears, as have high profile global incidents. Consumers are well aware that their personal data is a highly valuable and often vulnerable commodity and that identity thieves are becoming more sophisticated. They rank online security ranking as the most important factor in a high quality digital experience. An overwhelming 80% of Australians also believe government should force organisations to become more transparent in how they use consumers’ personal data.

Concern about online information security varies by demographic. The older (65 to 69 years) and younger (18-24) groups are most worried about online security. This contrasts with those in the other age bands – particularly those 25-34 who expressed the least concern.

It seems the increase in trust seen with each successive generation has been reversed. Institutions must act to allay people’s concerns around security and privacy – requiring different dialogue with different generations. They also need to decide if the growing cost of protecting data is worth it.

Consumers’ assessment of what is “very important” to a high quality digital experience – Top 5 factors

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe and secure transactions</td>
<td>85%</td>
</tr>
<tr>
<td>A website that is easy to navigate</td>
<td>74%</td>
</tr>
<tr>
<td>Having contact information that is easy to find</td>
<td>65%</td>
</tr>
<tr>
<td>Having general or product information that is easy to find</td>
<td>63%</td>
</tr>
<tr>
<td>Being responsive to online customer queries and feedback</td>
<td>62%</td>
</tr>
</tbody>
</table>

Despite FS already making significant investment in digital, opinion leaders strongly believe this needs to continue and even expand. Almost half of the opinion leaders surveyed described a lack of investment as a “major concern.”8

To date, the sector’s level of investment in digital transformation has been largely split by organisation size. Most large institutions have invested significantly in their digital agendas over the past 3-5 years. However, many are yet to realise their original ROI projections, leading to faltering organisational, board and shareholder confidence in the value of digital transformation. In contrast, smaller FS providers, which have invested far lower percentages of revenue on digital, are now under pressure from the market, customers and boards to catch up.

Despite their different approaches, both groups now have the same imperatives: get some quick wins and drive sustainable, long-term ROI from digital. The starting point is for institutions to refresh their digital vision or strategy, with a focus on aligning projects to drive ROI. This will mean taking stock of existing digital projects, identifying siloes and finding measurably profitable opportunities to align current investment with the digital vision. For example, adding algorithms to digital marketing campaigns will boost revenue; aligning different siloes of work will yield customer insights that make sales staff more effective; re-using the knowledge a company already knows about an individual will smooth the customer experience.

Likely focus areas to improve ROI include:

**Upgrading the customer experience**

Despite being early movers, Australian FS providers now need to upgrade their online customer experience to significantly shift the needle in digital engagement. Simply meeting expectations is not enough – continual innovation is required. Digital opinion leaders are aware of this. They rank ‘innovation’ and ‘user experience’ as the top two weaknesses in Australia’s digital performance. Also, their biggest concern about Australia’s digital economy is that senior managers don’t understand the digital experience.

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8 EY Digital Australia: State of the Nation 2014. Digital opinion leaders survey.
In particular, we see skills gaps in managers’ ability to operationalise customer engagement. FS customers want their banking and finance information brought together in an engaging and interesting way, in one place, organised around what’s most important to them in a seamless experience across a multi-channel sales and service ecosystem. This is about much more than developing apps. It means enabling customers to interact with their provider whenever and wherever they need to, regardless of device – with consistency right across the customer journey. It also means offering many of the qualities of retail shopping, where providers offer tailored products, comparison shopping, the ability to transact easily on the digital channel and a simple purchasing experience.

In other words, the next step is to digitise the whole customer journey. This won’t just create a better customer experience – the real opportunity is in digitising and automating processes, making institutions radically more efficient, productive and scalable. The major banks have already started down this path, with their cost to income ratios starting to improve dramatically. These benefits will continue to grow over a number of years. It takes time to digitise large, complex organisations. Those FS institutions yet to start evolving their e-delivery capabilities, including digital signatures, enterprise content management and social media integration, will find themselves a long way behind the front runners.

New customer experiences need to be developed in a planned and coherent manner – defining a service blueprint that specifies how channels and business units need to respond to deliver the target customer experience. Then each iteration of the customer experience can be orchestrated to expand the institution’s value proposition and increase share of wallet.

We believe institutions have major opportunities to improve the frequency, quality and personalisation of their communications to create value for money – using the power of digital and social media analytics to identify and respond to a customer’s changing needs with information and value added services. For example, insurers could provide advice on improving home security, connect customers with preferred suppliers or offer discounted services for certain types of individuals or groups. Equally, superannuation funds need to consider how to engage members in reviewing their current product distribution based on their life stage, financial position or regulatory obligations. Providing proactive advice to members on the right products and channels for superannuation management will be a significant differentiator for Australian funds.

Customer-experience programs will help institutions to develop a much deeper understanding of current and future product needs. With this additional insight, proactive relationship managers can drive a larger share of wallet and take pre-emptive measures to reduce customer attrition.
How do funds make superannuation a part of people's everyday financial consideration?

Superannuation needs to become part of everyday financial planning. Since its inception, superannuation has been perceived as being a burden, placed upon citizens by government to eliminate a pension debt. Superannuation funds have an opportunity to change this perception by demonstrating how superannuation benefits every Australian. Funds need to actively engage with the general population at relevant points in each member's life stage, making it a positive experience and an active part of Australians' financial planning process.

To this point, funds need to define the right engagement points for their members (considering age, income or employers) and then implement gamification techniques to entice members to interact with the funds. For example, funds could use the occasion of a birthday to inform members of their expected retirement age based on their current contributions, perhaps suggesting extra super contributions to retire earlier or increase their income in retirement. To support this, funds will need to give members the online capability to make such changes easily, only offering human engagement when necessary.

Time for insurers to retake control of customer relationships

For some insurers, direct-to-consumer channels simply must become more prominent. In those cases, the inevitable impact on intermediary relationships must be managed. Many insurance companies are understandably reluctant to “step on the toes” of independent agents and brokers. However, the increasing adoption of digital channels and need for stronger relationships are forcing the hands of insurers.

Insurers that rely on intermediated channels can provide brokers and agents better communications tools to facilitate stronger customer engagement. Indeed, communications capabilities may become a key criterion in evaluating and selecting future distribution partners. More fundamentally, insurers must seek to collaborate only with those distribution partners that share their commitment to delivering value to consumers.
Australian digital economy concerns

<table>
<thead>
<tr>
<th>Concern</th>
<th>Consumer</th>
<th>Digital opinion leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers worry about what information organisations can access about people’s digital behaviour</td>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>Agree</td>
<td>61%</td>
<td>74%</td>
</tr>
<tr>
<td>Consumers worry about what personal information organisations can access</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>Agree</td>
<td>65%</td>
<td>84%</td>
</tr>
<tr>
<td>Organisations should be more transparent or upfront about how they use the consumer information they capture</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Agree</td>
<td>79%</td>
<td>84%</td>
</tr>
</tbody>
</table>

Preferred devices for accessing banking and finance online

- Laptop/notebook: 53%
- Personal or desktop computer: 46%
- Smartphone: 37%
- Tablet: 18%
- Other: 2%
**Transforming front office and support**

A crucial step in implementing a new customer service model is to properly redefine roles and processes in the front office. Institutions should focus on:

- Streamlining processes while creating common standards across the organisation
- Releasing relationship manager capacity and enhancing managers’ capabilities
- Aligning front-office and non-customer facing functions

Once the processes and roles are identified, investment in technology platforms will be required to help deliver faster and more intuitive solutions while strengthening controls and improving efficiency. This will require the following change initiatives:

- Straight-through processing
- Customer relationship management
- Proactive and relevant covenant monitoring
- Sales force automation
- Target operating model architecture
- Data governance
- Business process automation

**Investment in technology platforms will help deliver faster intuitive solutions**

“There are a range of factors to consider when looking at how to enhance the digital experience and to become more customer centric. One of the most important is to understand how customers feel about the experience. It’s thinking holistically and get the total customer experience right.”

*Jenny Young, EY Customer Advisory Leader*
Developing more customised and predictive services

In 2015, the sector’s top-performers will use analytics to better understand customers and manage them from a lifecycle perspective. They will leverage timely insights into shifting consumer needs to take appropriate action in advance of key decision points and during critical interactions.

Institutions already hold huge amounts of customer data, but legacy systems are preventing them from seeing this data as a single view. The current investment to address this issue will allow institutions to become adept at predicting the behavioural changes that signal the intention to buy or switch — allowing providers to identify the ‘next best action’ to keep or increase the value of customers. Such actions are likely to include giving customers access to critical information and tools — from ‘approaching overdraft alerts’ to ‘application progress trackers’ — as they need them.

Providers will also be able to use advanced analytics and internal and external data sources to build detailed customer personae and value profiles based on demographic and lifestyle characteristics — and then operationalise these into marketing activities, retention programs and service delivery. This will not just boost convenience and speed, it will enable FS providers to interact and engage with customers on a deeper level, enabling a virtuous circle of innovation.

Australians’ love of globally connected social media and their reliance on smartphones means the world’s first experiences of next-generation FS apps are likely to go viral. Such apps enable all customer interactions to take place on the mobile channel — turning a lengthy, complex, stressful process into a fully-digitised, slick, paperless experience.

For example, this leading practice can already be seen in emerging mortgage apps that enable banks to accompany customers on their entire home-buying journey. The apps facilitate a relationship with customers and other actors, like solicitors and surveyors, who can interact with each other and the customer through the bank’s digital channels. With tools like application progress trackers, instant affordability checks, online document submission and action reminder prompts, the experience is a quantum leap forward from manually filling in forms at the branch. The second it becomes mainstream anywhere in the world, local consumers will expect it here.
In superannuation, funds are providing members with online advice platforms as a starting point for their investment choices. These platforms allow people to enter personal information (age, salary, superannuation amount) and define some personal events they are investing for (house, holiday, retirement). Leveraging inbuilt calculations, the platforms help members understand what is and what is not possible financially, based on their inputs. Such a service does not provide an endorsed advice plan, but it does allow funds to engage with their members and starts to give superannuation a place in their ongoing investment decisions.

The clear potential to improve the FS customer experience in this and many other ways—and the power of social media to spread the word—means the first local responders to such opportunities could trigger mass-migration to a superior digital FS experience.

**Optimising omni-channel experiences**

FS institutions already use a multi-channel model, offering consumers the options of face-to-face, phone and online interactions. With Millennials more likely to learn how to deal with a bank via digital channels, customer reliance on branch experiences will decline over time.

Right now, providers need to recognise that digital cuts right across the value chain and make transition between these channels seamless—aligning the online and offline experiences. Although 53% of digital opinion leaders believe consumers would rather transact over the internet than by phone or face to face, only 35% of consumers agree. Instead, consumers increasingly want multiple channels: in 2014, 4 in 10 Australians used no fewer than six communication channels.

Integrating these multiple channels, by aligning back and middle office systems, will do more than ensure a consistent customer experience across these channels, it will also support optimisation—enabling most non-customer facing activities to be automated. This where the real ROI opportunities lie, with the potential to both improve the customer experience and lower operational costs by up to 70%.

That said, not every customer-interaction belongs on a low-cost channel. Yes, simple transactions should take place online, but more complex interactions should be assisted, so sales staff can capitalise on upselling opportunities. Institutions need to identify where personal interaction creates most value in the relationship. For example, in insurance, inquiries about increased coverage or disputed claims should go
through higher-touch channels. Handled correctly, such difficult but critical interactions are selling opportunities – which are currently missed by many insurers.

In 2015, we expect providers to start developing and deploying a customer value-based segmentation model that will drive customer treatment in terms of marketing campaigns, contact channels offered and the way inbound customer inquiries are routed.

The ability to optimise the customer experience across all channels will also drive m-commerce success. With Australia’s high smartphone penetration, m-commerce is poised to take off in 2015. Currently, consumers have ingrained expectations that facilitating a purchase on a mobile device is hard. However, once such expectations are reset, m-commerce will flourish, eventually making the wallet redundant.

As FS providers gear up for these transaction capabilities, they will be able to offer customers location-based and context-sensitive services. These will range from personalised push-marketing, to improved security, as banks are better able to identify transactions from suspicious locations.

**Driving digital productivity**

Just as digital has transformed the FS customer experience, it can equally transform people performance. We believe FS providers can significantly improve productivity by leveraging digital’s connectivity, mobility and flexibility.

The work required to manage a digital customer experience, across both online and offline channels, will become increasingly more virtual and flexible, with FS workers accessing systems, databases or other professional applications remotely via mobile devices in real time. Many existing customer-facing roles will disappear in the next 3-5 years, as improving digital experiences and generational trends encourage more customers to go online and providers use big data to pre-empt service requirements.

Eventually, we expect institutions to employ a far more virtual workforce with global resources, enabling them to tap into the best capability, 24/7, at the most efficient cost. As this happens, leadership skills will also have to adapt to the new competencies required to manage virtual teams.
This is not just about offering employees flexibility, it’s about using flexibility to meet the needs of the business. Digitally delivered services can be resourced from anywhere in the world. We foresee a future where institutions have global contractors available and trained to deliver a service, with the first 20 to log on getting the work for that particular shift.

Using digital, employees can be better deployed, better informed and better supported. In this context, smart devices become not just an important tool to connect people and systems, but also a management tool that allows people leaders to actively monitor and manage virtual teams. For example, smartphones can be used to alert virtual team members of team performance, targets or changes in work arrangements, policies, learning opportunities or to connect them to new products, processes and tools.

Digital will also help HR departments to manage and shape the workforce more accurately and efficiently. Existing tools can be used to track individual performance, offering insights into how people are interacting with customers and what staff behaviours translate into value – offering hard productivity measures.

HR can also use the modelling currently applied to customer loyalty programs to gain a similar level of understanding into employee preferences and priorities. This would enable HR to give employees tailored information and services. For example, benefits could be personalised to the individual, with the potential to strip away benefit programs that don’t have traction and only invest in incentives that are proven to drive desired behaviours – making such programs cost neutral or even cost positive.

Even in face-to-face interactions, digital tools will be increasingly important. Customer-facing staff should have the same digital tools as consumers. For example, branch staff should be using iPads as sales tools – not writing down a customer’s financial information on pad and paper.

The sticking point is that having a workforce carrying multiple devices for their work and personal lives carries risk – especially in information security. This is why many institutions are being slow in integrating digital smart devices, corporate apps or internal social media into the work environment. Institutions need to rethink device-risk and forge ahead with creating a digitally connected workforce.

“It’s a balancing act – protecting data and enabling access in a business world that is highly mobile, decentralised and integrated with third party suppliers and services. The IT Service culture may find it challenging to accommodate increasing expectation for access to real time data in a competitive business landscape, but it can't turn back the clock.”

Anita Kimber, EY ITA Advisory Leader
Leading the way in privacy transparency

Given 80% of consumers want the Government to step in to improve transparency, FS customers are expecting providers to go beyond the legal requirements to protect their privacy. The sector has a leadership opportunity to be more transparent about the way providers use customer data and help consumers understand the benefits of receiving a more personalised service. The starting point is for institutions to actively listen to their consumers, react to feedback and be open about their data policies.

But FS providers also need to strike a balance between offering a more personalised service and unique level of engagement and managing brand and reputation risk. In some cases this may even mean forfeiting data collection to satisfy customers.

Collecting consumer data is often a default action. With a more nuanced approach, institutions may decide the cost of protecting consumer data is greater than the benefit of collecting it, especially if data collections are replicated across channels to market, such as apps and websites. Implementing a complete consumer data inventory can help companies optimise decisions about what data to collect, where to store it, and how to leverage it.

They need to understand what they hold and its value to them – and who else who might want to get access.

“Just because you can do something, doesn’t mean you should. It doesn’t take much for a timely, personalised offer to look like stalking. Institutions will have to tread a fine line.”

Anthony Robinson, EY Cyber Security Leader
Institutions also need to prepare for the possibility that the definition of metadata will be stretched to include credit card and other payments data, creating new data storage requirements and the potential to further alarm consumers about privacy issues. In future, the cost of protecting some types of data may be higher than its value to the organisation.

Location-based offers or services also pose risks from a privacy perspective, if providers get these highly personalised interactions even slightly wrong. In theory, consumers are receptive to getting the right offer, at the right time, over the right channel. In practice, people are easily spooked by organisations that appear to know too much about them. Without granular data and sophisticated analysis, the risks of personalised, real-time offers being inappropriate – or just plain creepy – are high.

To avoid being blind-sided by PR disasters, risk functions need to pay particular attention to shadow IT projects, where business units may be using customer and social media data without realising the dangers.

Protecting against increasing cyber security threats

For FS providers, cyber threats are continuing to multiply. The sector has long been a favourite target of cyber criminals. Now, the connectivity of digital is opening up a whole new playing field of vulnerabilities, to the point where most institutions recognise a successful attack is a matter of ‘when’ not ‘if’. As a result, the issue has escalated to board level, where directors are increasingly nervous of the potential for both financial and reputational loss. They want to know the cyber economics:

› How would the share price be affected?
› Would customers be impacted?
› Will this translate into reduced revenues?
› What will it cost to repair the damage?

This high-level pressure has spawned the new cyber insurance market. Currently, cyber insurance tends to come with prohibitively high premiums and multiple exclusions. But, as insurers become more sophisticated, we expect it will become a standard cost of doing business in the sector. For now, the application process is an interesting exercise to see whether insurers consider existing cyber security controls to be adequate.
In the meantime, institutions need to make sure they have an experienced incident response mechanism – and an informed organisation. Does everyone know what to do if an attack takes place? If not, then the damage from the attack will be far greater than expected.

FS providers can strengthen their incident management capabilities by rehearsing their crisis response mechanisms through complex cyber attack scenarios. Such exercises are difficult, but the lessons learned are invaluable. In other jurisdictions, regulators already require companies to practice responding to cyber attacks and report the results.

Governments should force organisations to be more transparent or upfront about how they use the consumer information they capture

3% Disagree 80% Agree


“Cyber security concerns are moving out of the IT bunker and into the boardroom.”

Anthony Robinson, EY Cyber Security Leader
Conclusion

Even for FS, which is relatively advanced compared to other sectors, the digital age is very much in its infancy. We expect ongoing waves of digital disruption, with the potential to both unbalance incumbents and create tremendous opportunities for nimble financial institutions with the capacity to react quickly – or even to lead the way.

Much that appears certain and established will change entirely in 2015, with new frontiers opening up in customer engagement, omni-channel optimisation and digital productivity. This will require every project on every front to be aligned with an institution’s digital vision: online and offline, middle and back office, external and internal.

Institutions that get this right will finally see their projected digital ROI hitting the bottom line.
About the research

Research approach
Digital Australia: The State of the Nation is a wide-ranging report that is based on three types of research.

- **Extensive Quantitative Research**
  - A representative survey of 1500 Australians (16-69 years) and 167 ‘digital opinion leaders’ drawn from the commercial and government sectors

- **Deep Dive Qualitative Research**
  - A series of in-depth interviews with some of Australia’s top digital decision-makers and industry thinkers

- **Comprehensive Desk Research**
  - Analysis and aggregation of existing data on digital behaviour and trends

EY commissioned Sweeney Research¹ to conduct this research program. EY would also like to acknowledge AIMIA (The Digital Industry Association of Australia) for their support on this research.

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1. EY acquired Sweeney Research in October 2014.

Research coverage

**7 key areas**
- Digital devices usage
  - Device ownership and usage
  - Operating platforms
  - Internet activities
  - App usage

- Digital productivity
  - Digital device work use
  - Impact of mobile digital devices on productivity
  - Employer restrictions
  - Online study

- Social network and media
  - Social media usage
  - Social media movers and shakers
  - Reasons for using social media

**24 specific topics**

- **The digital future**
  - Emerging consumer technology
  - Appeal of wearable digital devices
  - In-store commerce

- **Attitudes to digital**
  - Role of digital devices
  - Digital attitudes
  - Impact of mobile digital devices on life aspects
  - Digital channel importance

- **Digital experience**
  - Australian digital economy strengths and weaknesses
  - Digital experiences of different industry sectors and organisations
  - Digital experience needs
  - Digital experience problems

- **Government and the digital economy**
  - Attitudes to government and the digital economy
  - Attitudes to and experience of the NBN
  - Aggregate research report
  - Publically available data from a diverse range of sources
EY’s team of digital consultants deliver world-class business transformation globally and locally. Our digital capability is embedded across all of our services enabling a whole-of-business solution. Our data-driven insights along with our global experience and networks enable us to deliver results in digital business transformation.

EY can help unlock the full potential of digital by making it deliver commercial value through a whole-of-business approach to strategy and practical implementation.

Digital at EY is about more than technology, it is the levers that businesses can use to drive business transformation, elevate customer experience and engagement, and identify demand for and test new products and services.

Understanding the intersection of business, risk and digital is fundamental to EY’s digital experience and capability.

EY’s digital solution includes:

- Business and IT strategy, business model optimisation
- Business and IT transformation
- Branded customer experience design and channel strategy
- Customer experience and engagement
- Customer insight – customer analytics, customer data management
- Personalisation and real time marketing
- Multi-channel change management
- Governance, risk and compliance management of digital channels
- Security and privacy frameworks assessment
Contact us

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APAC no. AUNZ00000533
S1527756
ED None

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