White paper

Digitalization trends: 2021 insights

2020 was a year filled with unprecedented challenges — one that led to drastic shifts in technology usage and transformed the way companies harness the power of analytics.

For many organizations, the problems created by the ongoing pandemic began when the country shifted to a work-from-home economy. This accelerated the already existing need for a digital transformation initiative and placed it front and center as companies reevaluated their priorities — particularly in the analytics space.

Soon, companies ramped up their spend and investment on analytics as artificial intelligence (AI), machine learning (ML) and automated solutions became the catalysts for a digital transformation. Rising customer expectations, changing regulatory requirements and the push to find cost-effective solutions to drive operational efficiency were also some of the main drivers that pushed companies to innovate. By combining data, analytics and the latest technology, innovative companies were able to undergo a successful transformation while placing excellent customer experiences at the forefront.

While the future of technology in 2021 is still unknown, the trends that have and continue to pave the way for digital transformations are here to stay.

In this paper, we'll be taking a closer look at five ongoing trends that seem likely to gain even greater traction in the upcoming year.

1. Increased digitalization

For many organizations, digitalization (also known as the process of using digital technology to provide new opportunities for revenue and growth) continues to be a top priority for the new year. IDC predicts that by 2024, "over 50% of all IT spending will be directly for digital transformation and innovation (up from 31% in 2018)[1]." However, Gartner found that "Through 2021, digital transformation initiatives will take large traditional enterprises, on average, twice as long and cost twice as much as anticipated[2]," indicating many companies are still well on their way to embarking on their digital transformation journey.

Companies that are looking to take the first step or ones that plan to continue to build their digital transformation journey will need to continue investing in one major key area — data. "A key underpinning for digital transformation is data — because digital transformation is increasingly about using data to drive performance," said Vijay Gurbaxani, Taco Bell Professor of Information Technology Management and the Director of the Center for Digital Transformation at the University of California, Irvine. Information derived from data is the key to getting the insights to make better data-driven decisions that will help companies thrive and overcome hurdles created by a volatile year. This isn't a short-lived trend — going digital will continue to allow the most innovative companies to drive revenue and create greater opportunities for years to come.

2. AI for credit decisioning and personalized banking

When it comes to digitalization, the organizations — across all sectors — that have embraced AI and ML have found many new growth opportunities. For example, financial institutions that have implemented AI technologies have increased new lending opportunities and have opened the doors for new borrowers. According to some in the tech space, AI is "helping banks and credit lenders make smarter underwriting decisions by utilizing a variety of factors that more accurately assess traditionally underserved borrowers, like millennials, in the credit decision-making process[3]." For financial institutions, lenders have started to utilize new models that use complex rules and data to evaluate prospects and provide customized services to their customers. AI has helped many lenders reduce risk and make lending decisions with more confidence. This will continue to drive growth and revenue by opening the doors for more consumers.

Call for explainable and ethical AI

As AI continues to create increasing opportunities for change and profit, it's important for companies to maintain ethical and explainable AI standards. Transparency is key — whether AI is being used to make fair lending decisions, to create personalized banking opportunities or in any other use case.

For Experian,® AI can be seen in the use of Experian Boost,™ a program that allows consumers to "boost" and augment their credit profiles by adding new tradelines and positive payments. As described in Harvard Business Review, this program uses "a model that mitigates algorithmic and data biases which affect the evaluation of credit risks[4]." These models are used to promote fairness and eliminate systematic bias, creating greater financial inclusion for all.

3. Chatbots and virtual assistants

The rise of AI and advances in ML led to the creation of chatbots and virtual assistants — ones that were able to facilitate conversations and transactions between businesses and customers. Now, many organizations are launching chatbot solutions to automate engagements with consumers, which has been proven to be much more cost-effective as well. And, according to a report by Juniper, "chatbots will be responsible for cost savings of over $8 billion per annum by 2022[5]." This new way of interacting with customers fosters loyalty, creates better customer experiences and reduces the need for human intervention. Chatbots and virtual assistants use robotic process automation and natural language processing to allow customers to get better and faster support. Consumers are also able to receive personalized and streamlined experiences — all made possible by data and AI. These virtual assistants are the new keys to growth by increasing sales and customer retention, as well as fostering consumer loyalty.

While there are still many limitations for virtual assistants and chatbot functionality, new developments can remain on the horizon and will be an area for greater development in the years to come.

4. Cloud computing

As many industries and organizations had to shift to a work-from-home workforce in early 2020, companies began to look for new ways to move their processes online. And as budgets began to tighten, this led to a demand for solutions that are capable of rapid launch, widespread across organizations and cost-effective.

Cloud computing became the answer. However, cloud computing isn't a new concept and will continue to trend as a must-have for the most innovative companies. According to Deloitte, "Cloud is more than just a technology. It is a destination for banks and other financial services firms to store data and applications and access advanced software applications via the internet[6]." In fact, according to Research and Markets, "The global cloud computing market size is expected to grow from $371.4 billion in 2020 to $832.1 billion by 2025, at a compound annual growth rate (CAGR) of 17.5% during the forecast period[7]."

When the pandemic began, more companies started to migrate their applications and solutions to the cloud, which gave them the ability to run applications and software from remote servers and allowed many to continue business as usual. Cloud computing offered the flexibility, scalability and cost-effectiveness that companies needed to navigate a volatile year. By investing in new cloud solutions, companies can continue to find ways to pivot to changing market conditions for years to come, paving the way for increased growth and innovation.

5. Biometrics

The future lies in biometric protection and authentication. While passwords and PIN codes are the norm, biometrics have started to shine as the greatest lock and key for online services. Physical, behavioral and facial biometrics, while still in the early stages of adoption, are already being recognized as the next wave of protection for consumers. In fact, research from a Verizon Data Breach Investigations Report states that "81% of hacking-related breaches leveraged either stolen and/or weak passwords?" Now more than ever, companies will need to introduce biometrics and create a reality that's free from passwords and easily compromised credentials.

Consumers believe the same. In our 2020 Global Insights Report, Experian found that 77% of consumers said they felt most secure when using physical biometrics, and 62% of people said it improves their customer experience when managing finances or payments online? An article from Biometric Update also reveals that many companies are ramping up their biometric security initiatives. In fact, they found that "cybersecurity industry stakeholders have seen companies speed up investments planned for 2021, and banks have fast-tracked biometrics pilots.[10]" Companies will need to continue to invest in biometric technologies to create seamless interactions — to foster growth and loyalty as well as to maintain the frictionless experiences that customers have come to expect.

Conclusion

2021 will offer companies new opportunities. The greatest opportunities for growth lie in increased digitalization and new technology that enable organizations to complete a full digital transformation. Whether it's investing in virtual assistants, cloud migration or implementing biometrics for security, the growth of new technology continues to accelerate at the speed of light — with no signs of slowing down.

Are you ready to embark on your digital transformation journey? Contact us today.

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[2]Gartner' Top Strategic Predictions for 2020 and Beyond: Technology Changes the Human Condition, 29 October 2021

[3]https://builtin.com/artificial-intelligence/ai-finance-banking-applications-companies

[4]https://hbr.org/2020/10/ai-fairness-isnt-just-an-ethical-issue

[5]Woodford, S. (2020, October). Chatbots: Vendor Opportunities & Market Forecasts 2020-2024. Retrieved January 08, 2021, from https://www.juniperresearch.com/researchstore/devices-technology/chatbots-trends-research-report

[6]https://www2.deloitte.com/global/en/pages/financial-services/articles/bank-2030-financial-services-cloud.html

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[8]https://enterprise.verizon.com/resources/reports/2017_dbir.pdf

[9]https://experian-2872.docs.contently.com/v/2020-global-insights-report-september

[10]https://www.biometricupdate.com/202004/biometrics-deployments-and-growth-stats-roll-in-as-businesses-and-governments-adapt-to-crisis

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02/21 • 1224/3147 • 1256-CIS