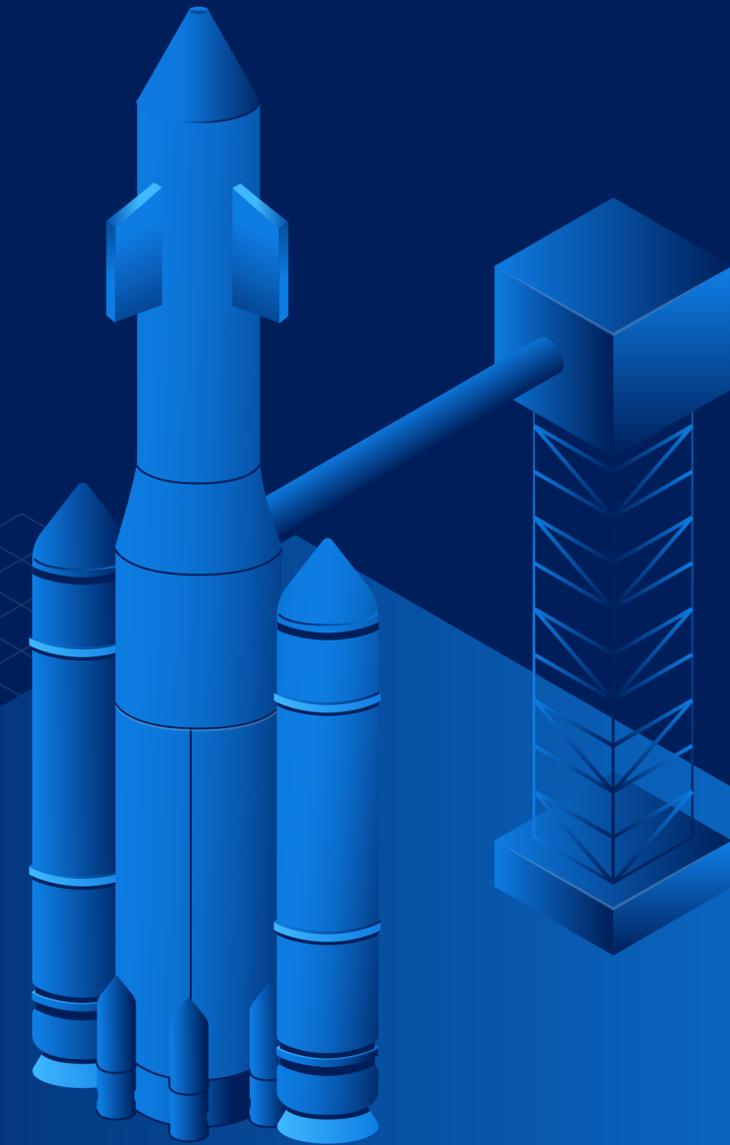


2023 STUDY

Digital Transformation
enters a new phase —
here's what comes next



CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

About this Study

Digital transformation is still at the top of the C-suite agenda, but it's entering a new phase driven by more powerful technology.

The third-annual Broadridge Digital Transformation and Next-Gen Technology Study explores the investment decisions and practical realities financial services firms face during their transformation. This year we surveyed 500 C-level executives and direct reports across the buy side and sell side from 18 countries to understand where they stand today, and what they expect in 2023 and beyond.



2

Broadridge

Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

3

Broadridge

Third annual survey of executives on their digital transformation journey

The digital revolution is now mainstream

Klaus Schwab, World Economic Forum Founder and Executive Chairman, first envisioned how artificial intelligence could disrupt business and society well before AI began to reach maturity. His book, *The Fourth Industrial Revolution*, anticipates the way technology could improve efficiency and productivity.

Today the revolution is mainstream: financial services firms have embraced digital transformation like never before. Widescale adoption of new, more powerful technology is next.

Many are aware of the need to reinvent themselves – and quickly – to meet these opportunities and threats.

STUDY SHOWS

From intriguing to essential?

More than half of participants agreed that digital transformation is currently the most important strategic initiative for their company. Firms now spend around 27% of their overall IT budget on it, compared to only 11% last year.

For many, digitalization is becoming an integral part of their change management and business innovation programs. These once-novel projects are now “business as usual.”

Seventy-one percent say AI has significantly changed how they work. More change is coming as AI's capabilities expand.

Established financial firms face challenges from new “digitally native*” entrants to the market, particularly on the distribution side of financial services. These upstarts aren't weighed down by legacy systems nor outdated thinking. They're agile and tech-obsessed: to compete, incumbents must be too.

**Digital Natives include online banks, brokers, robo-advisors, and digital wealth management firms established in the last 15 years and not part of an incumbent firm*

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

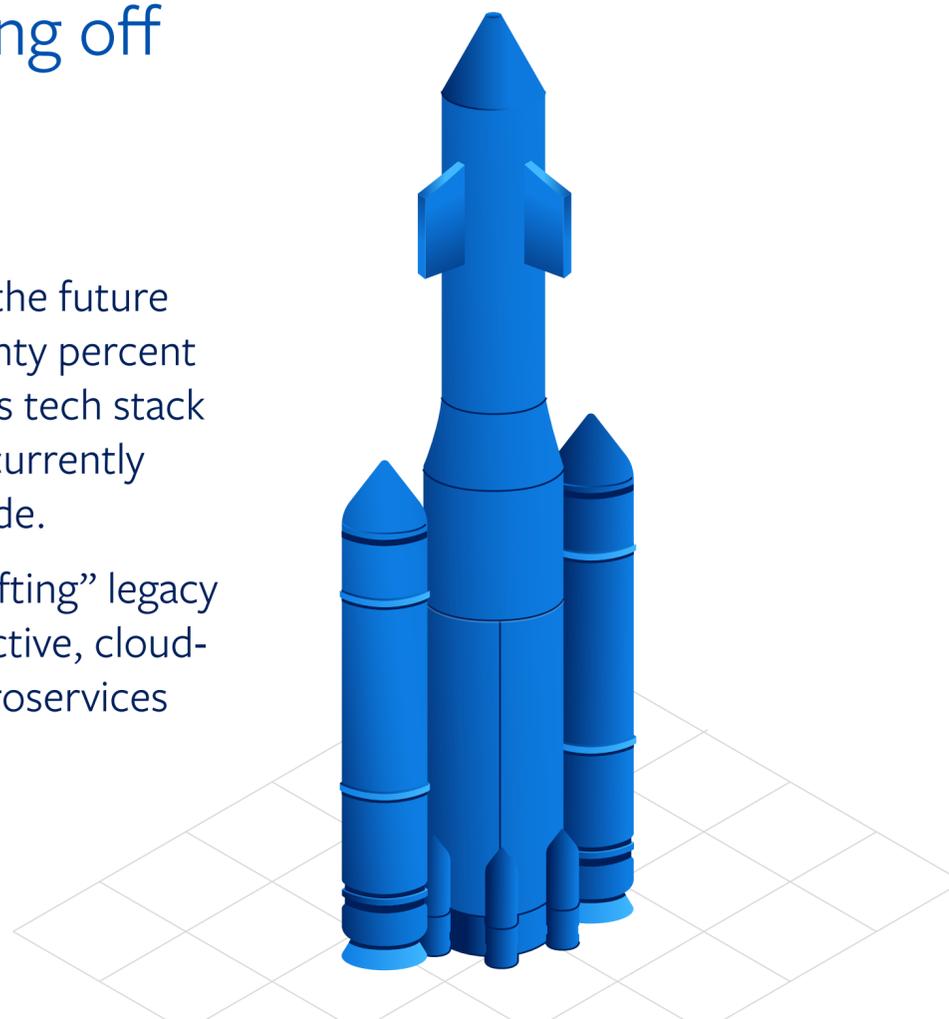
What defines a Leader?

This study looks at what leading firms do differently to accelerate transformation. We categorized firms as Leaders or Non-leaders based on how advanced they are in the most essential aspects of digital transformation. This includes their innovation culture, use of emerging technologies, modern IT infrastructure, seamless customer experience (CX), internal skill-building, and adoption of security and privacy protocols.

Transformation is lifting off 80%

Respondents are optimistic about the future despite significant work ahead. Eighty percent think the industry will modernize its tech stack before we land a human on Mars, currently estimated to happen within a decade.

Some will do this by “lifting and shifting” legacy systems in favor of more cost-effective, cloud-based infrastructure that puts microservices and APIs at the core.



LEADERS SAY

“Major new entrants are already encroaching”

“There are major new entrants into the financial services space from non-traditional sectors. Legacy organizations like ours have to reinvent themselves, which is incredibly time-consuming, complex, and expensive. Whereas if you’re a new entrant, you can start from scratch.”

— *Head of Data and Analytics, US Full-Service Institution*

“AI is constantly evolving and so are its use cases”

The robots may not be taking over, but they’re certainly making work easier for humans. AI is becoming more powerful. “Smart automation, fueled by machine learning, is helping our employees execute tasks faster, analyze data more quickly and create higher quality work.”

— *Head of Operations, Canadian Broker-Dealer*

“Mid-sized firms feel the squeeze”

“Very large players will get larger, and then you’ll have smaller boutique firms that are high touch and offer niche services. Everyone in the middle is going to get squeezed.”

— *Senior Partner, UK Investment/Asset Manager*

4

Broadridge

Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

The role and impact of next-gen technologies

We're on the cusp of a new chapter in digital transformation, driven by more powerful technologies.

However, in a challenging economic environment, it can be difficult to justify spending on innovation while trying to juggle the demands of day-to-day operations. But as next-gen technologies mature, firms are reporting improvements in customer acquisition and retention, cost efficiencies, and faster time to market from their use, creating a more measurable business case for investment.

Where is the industry investing, how much progress is it making, and what's delivering value? And what are firms classed as Leaders doing differently?

Firms are spending more on major tech tools. Respondents said they will increase their spending in these areas by 20 to 30% in the next two years.

Organizations are willing to invest in tech, but hurdles to adoption remain. Putting budget toward these initiatives is vital, but it's also critical that teams find ways to work together to make the most of digital opportunities.

STUDY SHOWS

Next-gen tech comes of age

Data analytics, AI, cloud computing, and blockchain / DLT now deliver tangible ROI.

Blockchain and distributed ledger technology (DLT) are now creating cost savings and real business value. In the longer term, we'll see stronger use cases for decentralized finance; firms need to plan for this transition.

These essential tools are more visible than ever, with a clear business case for new investment.



On average, firms plan to boost their spending on next-gen tech by more than 20% in the next two years, with a particular focus on cybersecurity.



Seventy-one percent of respondents say AI is now significantly changing the way they work.

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

6

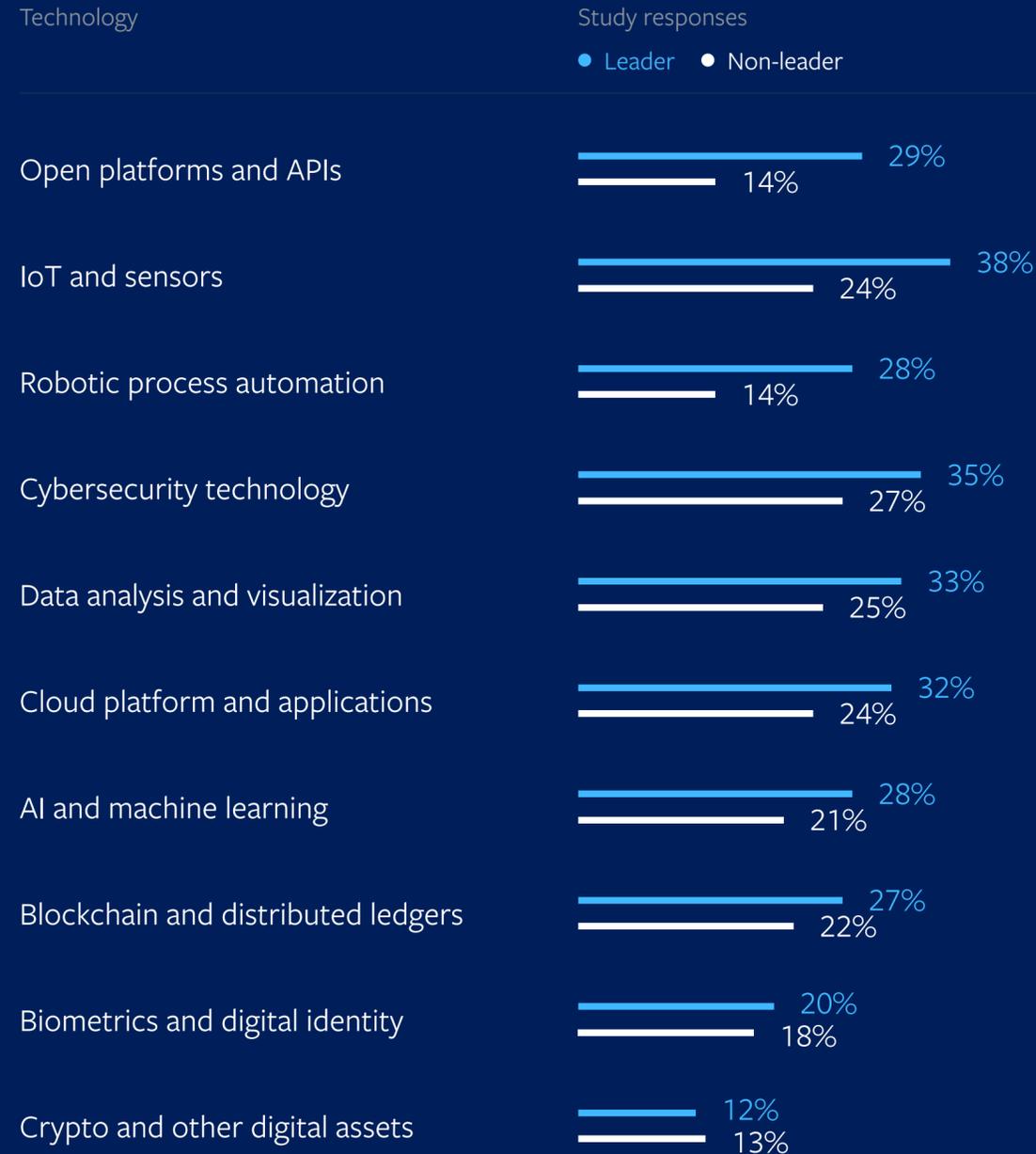
Broadridge

Third annual survey of executives on their digital transformation journey

Mind the investment gap

Respondents are optimistic about the future despite significant work ahead. Eighty percent think the industry will modernize its tech stack before we land a human on Mars, currently estimated to happen within a decade.

Some will do this by “lifting and shifting” legacy systems in favor of more cost-effective, cloud-based infrastructure that puts microservices and APIs at the core.



LEADERS SAY

“We’re already seeing value”

“AI and machine learning are constantly evolving and are becoming more intelligent. AI is aiding us in automation, smart decision making, enhanced customer experience, research and data analysis, error reduction, and increased business efficiency.”

— CTO, Japanese Broker-Dealer

“We’re using data to predict customer needs”

“We are improving our data analysis tools in response to new demands to create predictive analytics, understand purchasing preferences, and identify anomalous fraud detection during transactions.”

— CTO, Danish Retail Bank

“We’re automating customer onboarding”

“We can onboard customers to new products completely digitally with minimal human intervention and automatic straight-through processing in generation of documents, approval, the whole thing, making the process as quick and effective as possible.”

— CEO, US Broker Dealer

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

Overcoming hurdles to digitalization

There is focus, funding, and progress. Yet some firms are moving faster than others. What is still holding organizations back, and what are the keys to overcoming challenges?

Firms are taking a variety of approaches to navigate the hurdles that inhibit innovation.

STUDY SHOWS

Reinvention for a digital world won't come easy

Reinvention for a digital world won't come easy, especially for incumbents with established systems and procedures. More than 40% of respondents say they're still held back by inflexible legacy systems.

More than a third of firms lack funds for digital transformation — and economic headwinds aren't helping. The same percentage struggle to balance innovation with day-to-day tasks. This is driven in part by a shortage of the talent and skills needed to advance.

We asked executives what they would change if they had a magic wand to accelerate transformation.

Leaders said they would dramatically expand the use of AI across the enterprise, and centralize data across the firm.

The top choice for all others is replacing legacy systems with modern cloud platforms, indicating the gap in progress between the firms leading the way and those lagging behind.

3 TOP CHOICES FROM LEADERS



Dramatically expand the use of AI and automation enterprise-wide.



Gather, integrate, and provide access to all enterprise data.



Be able to anticipate customer needs 5 years from now.

7

Broadridge

Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

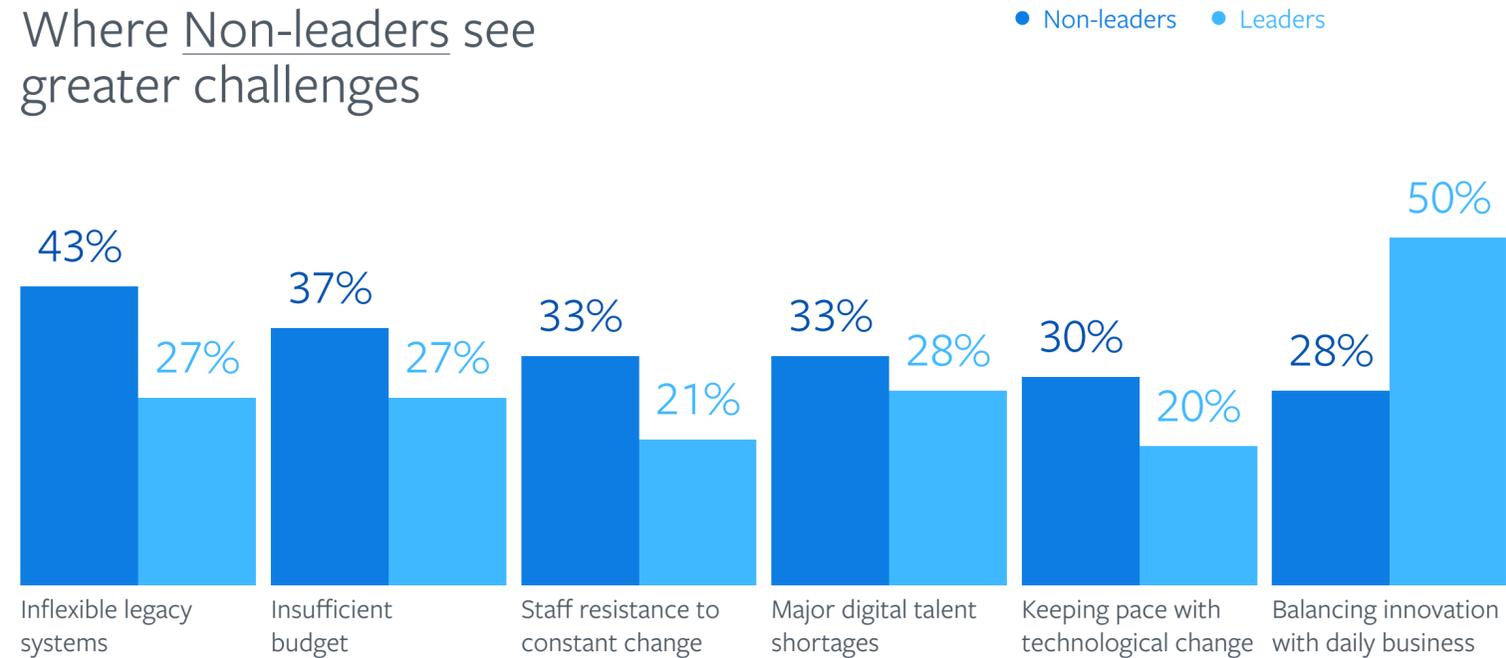
8

Broadridge

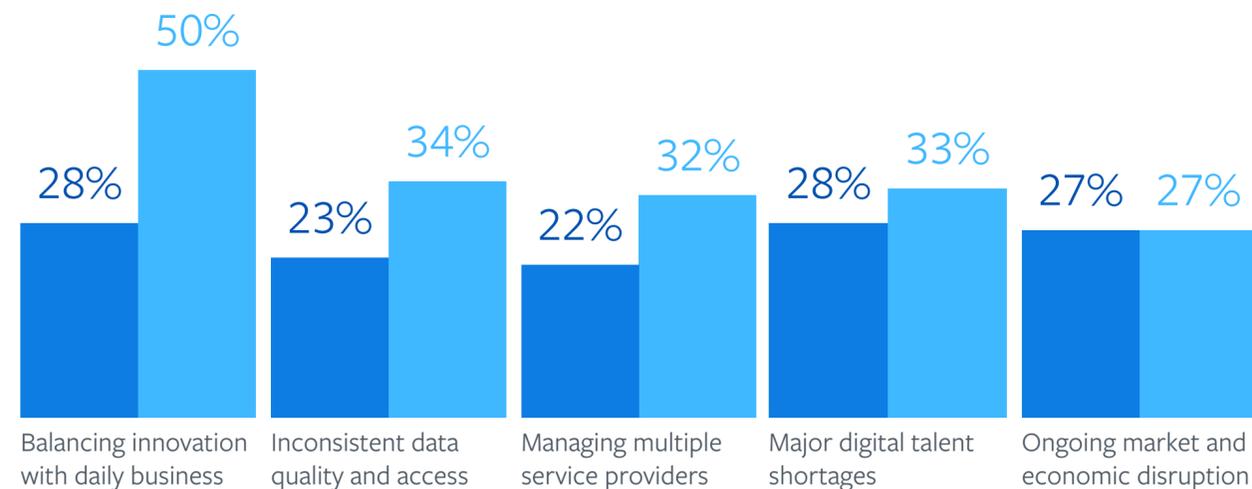
Third annual survey of executives on their digital transformation journey

Triaging tech hurdles

Where Non-leaders see greater challenges



Where Leaders see greater challenges



LEADERS SAY

“Spaghetti of technology”

“Financial institutions typically grow through acquisitions, which present great challenges. They end up with systems that are often incompatible, creating a spaghetti of technology.”

— CEO, US Retail Bank

“Late adopters”

“A lot of organizations that are late adopters are going to struggle because they’re so far behind, and that’s a challenge.”

— Head of Data Analytics, US Retail Bank

“Tech modernization and simplification”

“We took a very traditional commercial bank and modernized the core banking system by bringing in a whole series of best of breed applications developed by fintechs that did things much more effectively.”

— CEO, UK Bank

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

What's next in tech transformation? More nascent technologies

The study is an opportunity to understand what's on the radar of the most exceptional leaders in financial services. On average, our respondents' firms control estimated assets of \$121 billion. Four of five respondents are from traditional financial services companies and so the results speak to market-wide dynamics.

Senior executives understand that they must grapple with adapting to near-term change, while also trying to anticipate how technology will transform the industry's future.

We asked executives how technology will change industry dynamics in the longer term, what they're doing to prepare, and which of the newer / emerging technologies such as quantum computing and the metaverse they're investing in for the future.

STUDY SHOWS

DLT will become the core of financial markets infrastructure

Blockchain and DLT could change the value proposition of firms that currently play a central role in financial services. They'll have to reconsider where they fit in a world of tokenization and decentralized finance.



60%

of respondents agreed that in 10 years blockchain and DLT will become the core of financial markets infrastructure.

LEADERS SAY

“A step change in computing power”

“Edge computing and quantum computing will have more focus as we plan to increase our computing capacity, considering the vast amounts of data and universe to be canvassed.”

— CTO, US Investment Manager

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

10

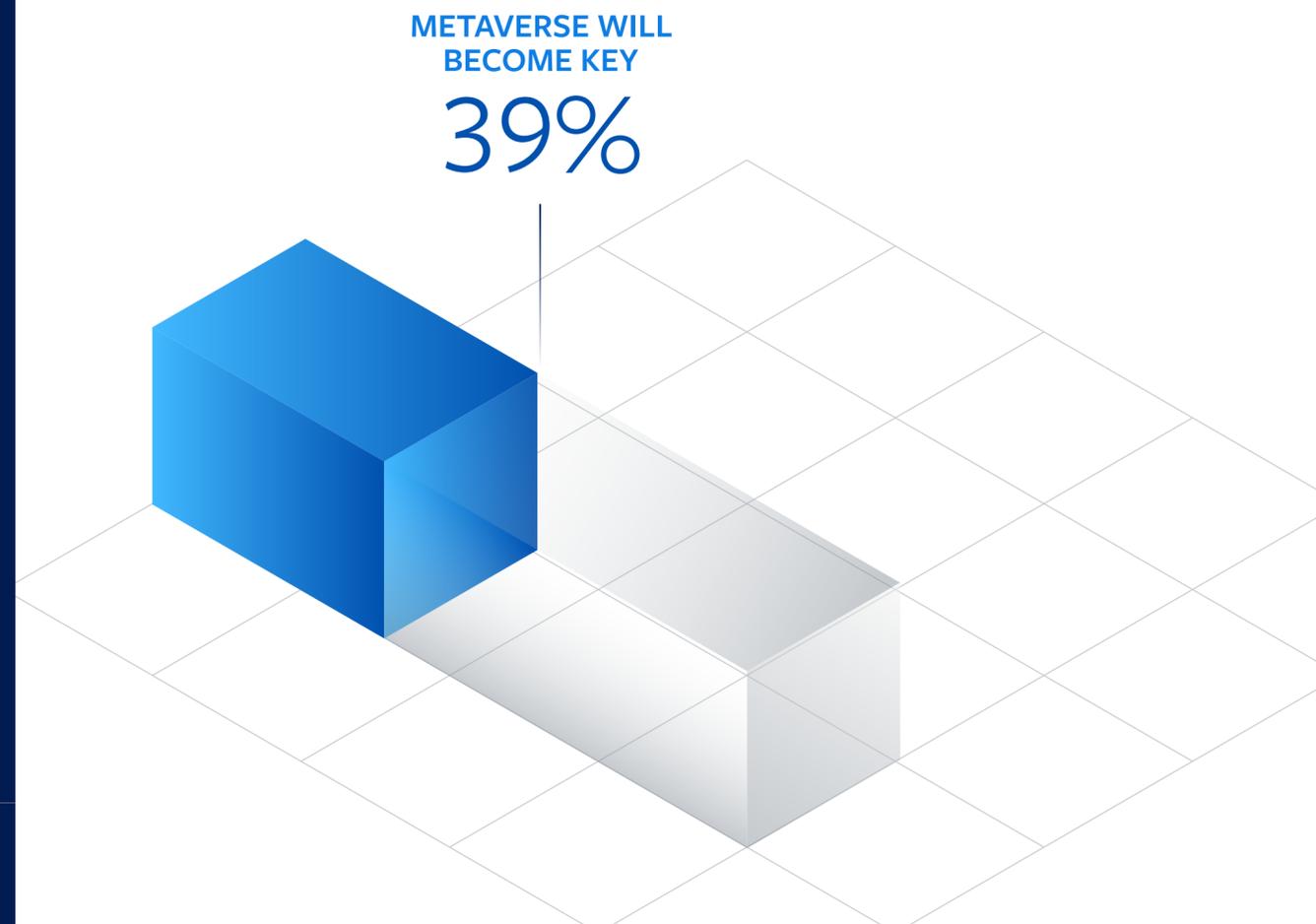
Broadridge

Third annual survey of executives on their digital transformation journey

The metaverse and quantum computing: watch and wait?

Unlike some of the more established technologies, respondents are not quite as enthusiastic about what the metaverse offers the industry — at least not yet.

Although 39% of respondents agreed the metaverse will become a key channel for client interaction in the next ten years, firms are only increasing investment by 5% on average over the next two years. There's openness to the metaverse's potential, but most firms are taking a "wait and see" approach before committing funds.



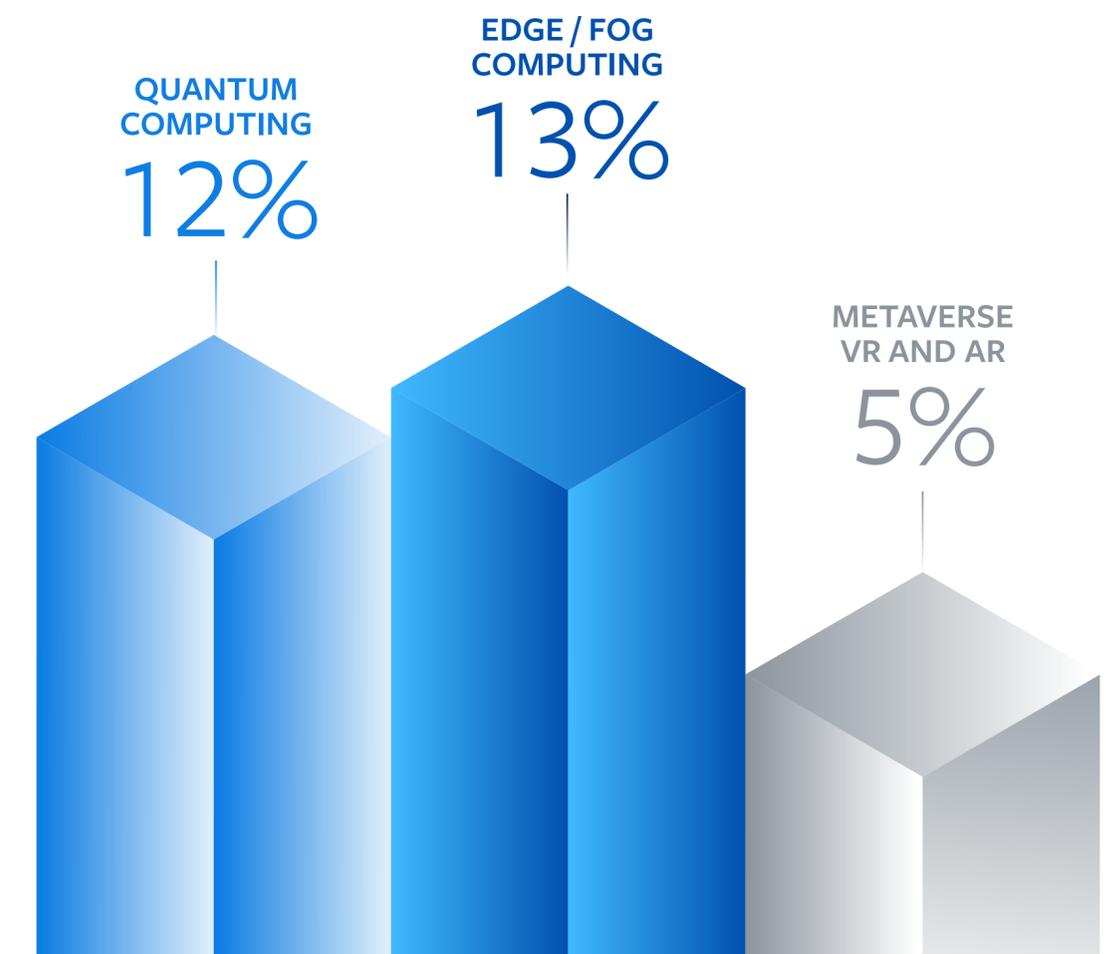
A quantum leap forward

Other nascent technologies, such as quantum computing, could create even greater disruption for the industry in the future. Quantum computing offers the potential to process complex computations millions of times faster than today's most sophisticated supercomputer.

These tools, in tandem with edge computing, the cloud, and AI, offer the ability to harvest data at scale, and analyze it much more rapidly to make more accurate predictions and solve complex optimization problems.

Firms are increasing investment in these technologies, but more incrementally than established technologies.

How much does your firm plan to increase investment in the following technologies (on a percentage basis) in the next two years?



CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

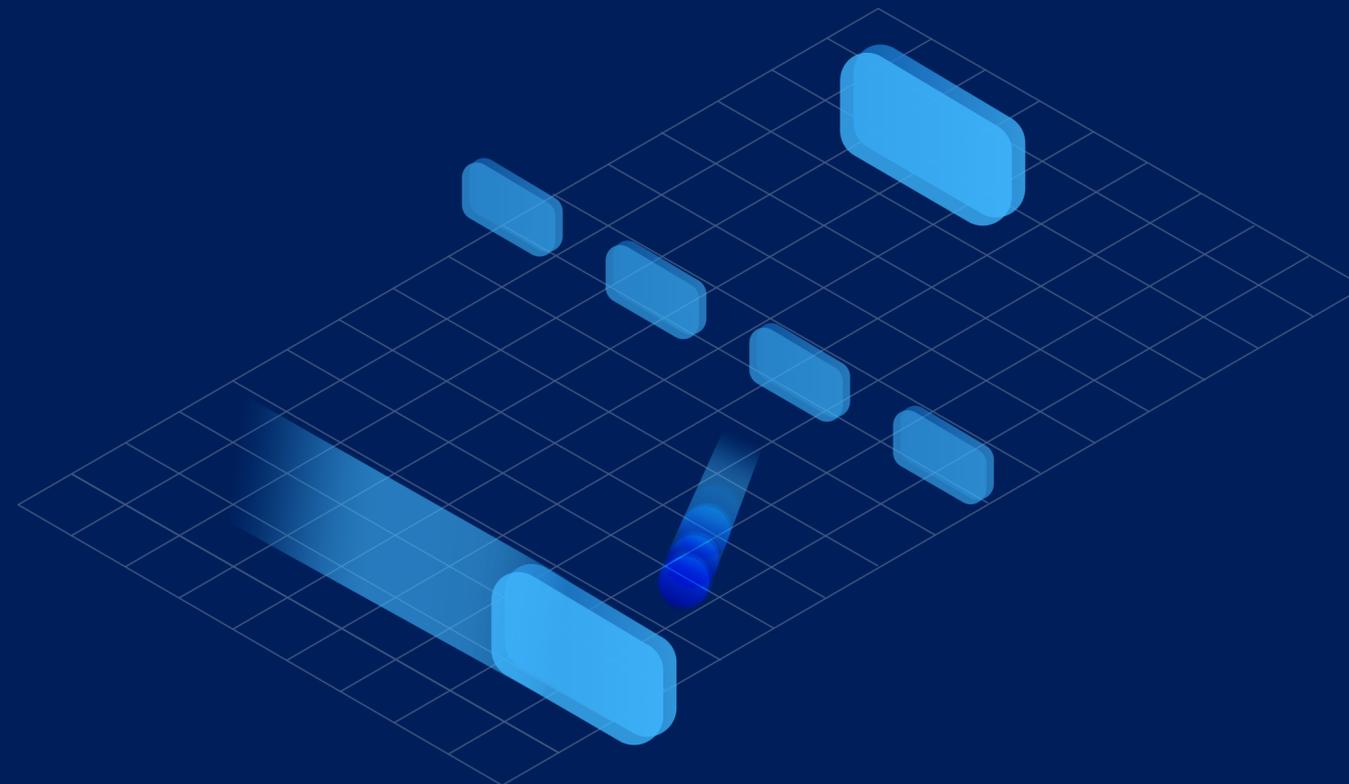
Co-piloting digital transformation

Lessons learned

Appendix and study data

Co-piloting digital transformation

Digital transformation requires buy-in from all stakeholders; progressive outcomes are hard to achieve without a commitment to cooperation between business and technology functions. The study shows that business and tech leaders have bought into transformation, but that doesn't mean they agree on how to drive it.



Business leaders want tech leaders to

- Provide them with a clear picture of IT's role in driving digital transformation **50%**
- Develop a better understanding of the business and how technology can support it **37%**
- Think more about the business case for new initiatives and communicating them to top management **24%**

Tech leaders want business leaders to

- Have a better understanding of digital technology and its potential uses **36%**
- Give IT more autonomy to make decisions **29%**
- Allow IT to take a fail-fast approach **18%**

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

Teams need to focus together on three core elements to lead

1

A shared vision

A clear view of where the organization is going, and how technology can get it there, is key to delivering the right IT initiatives that create value and fit the firm's strategic goals.

2

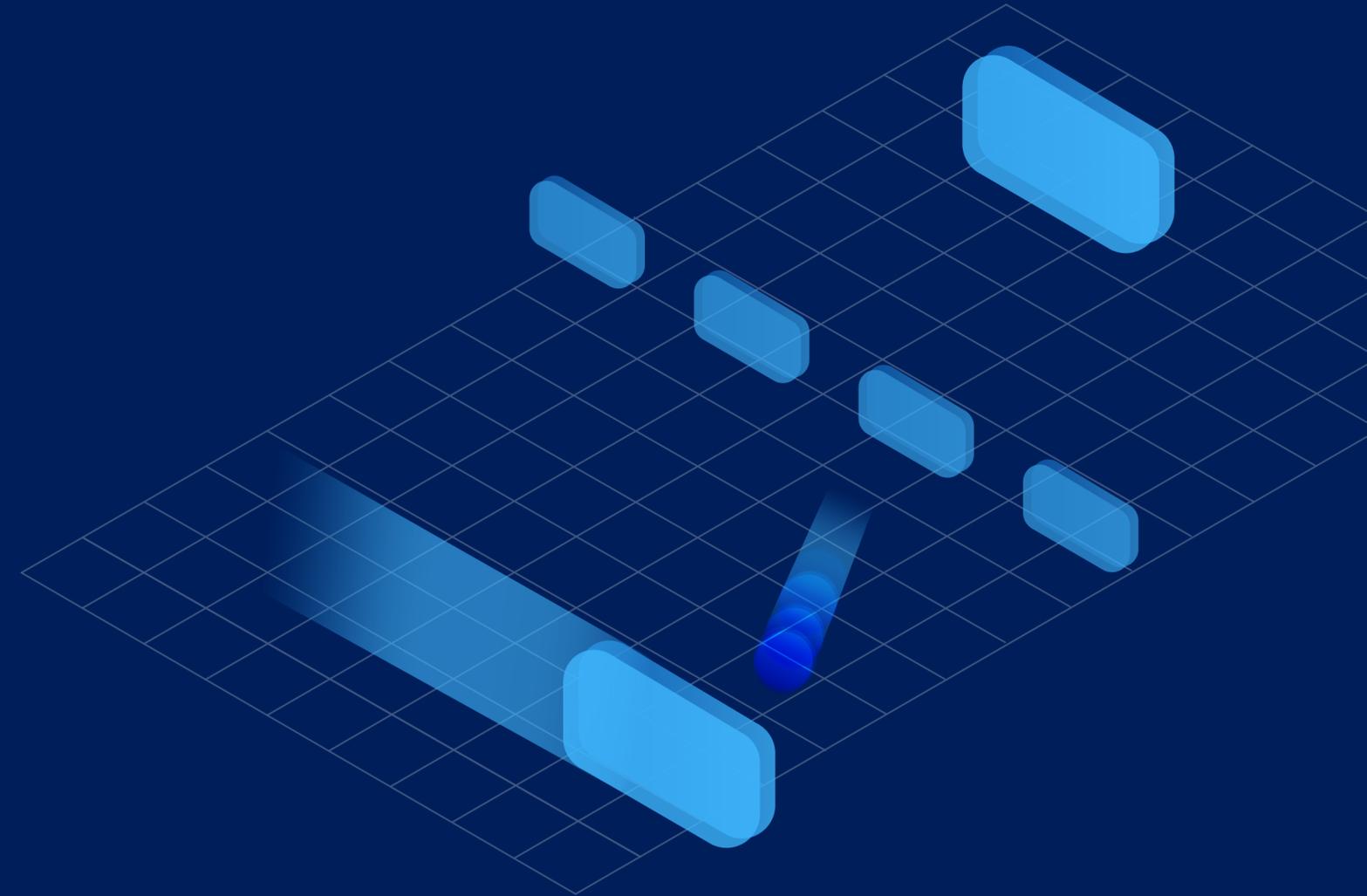
Communication

IT and business leaders sometimes speak different languages. IT leaders must translate complex technical concepts in ways business leaders can understand, while business leaders need to gain greater technical literacy.

3

Empathy

Each side needs a better understanding of the others' perspectives, priorities, and constraints to find common ground.



12

Broadridge

Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

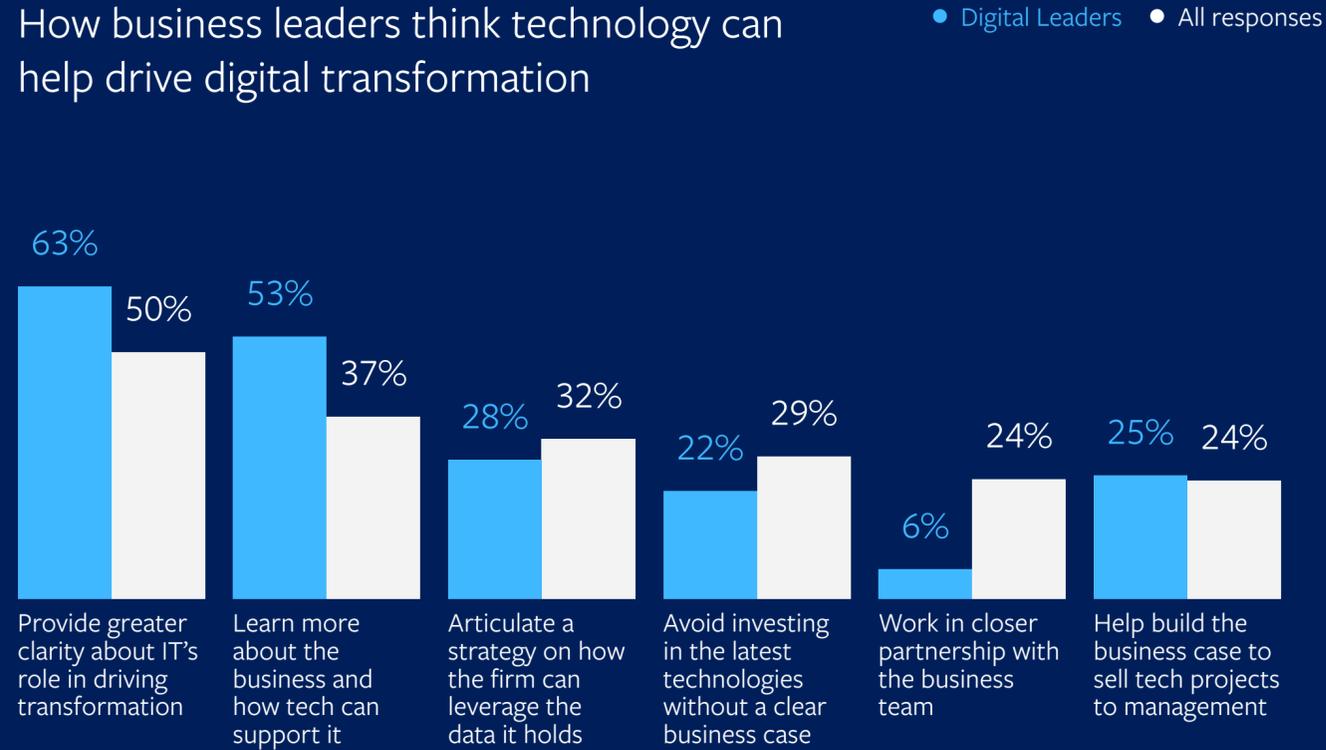
13

Broadridge

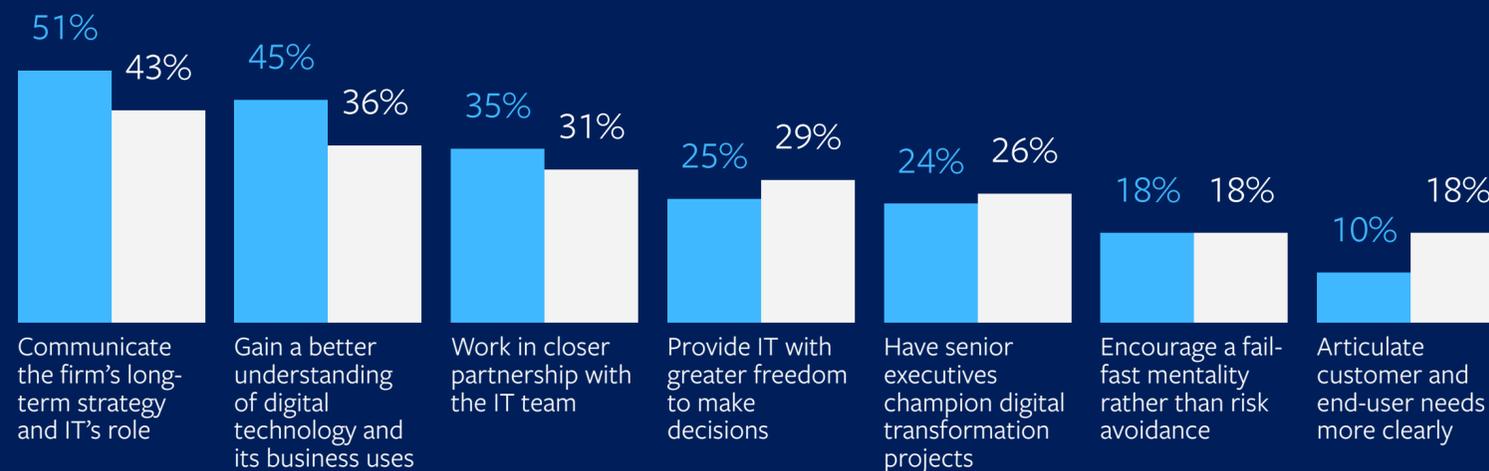
Third annual survey of executives on their digital transformation journey

Bridging the gap

How business leaders think technology can help drive digital transformation



How tech leaders think business leaders can help drive digital transformation



Gaining the talent edge

The consequences of failure go beyond digital transformation.

Sixty percent of tech leaders and 52% of business leaders say falling behind in digital transformation will hurt their ability to attract and retain talent.

SAY FALLING BEHIND WILL AFFECT HIRING

60%

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

14

Broadridge

Third annual survey of executives on their digital transformation journey

©2023 BROADRIDGE FINANCIAL SOLUTIONS, INC.
ALL RIGHTS RESERVED.

Lessons learned

The term “fintech” first appeared in the New York Times in 1993. The word spoke to a very specific, nascent idea. Today, all financial services companies – from Canadian retail banks to Singaporean hedge funds – are thinking like technology companies.

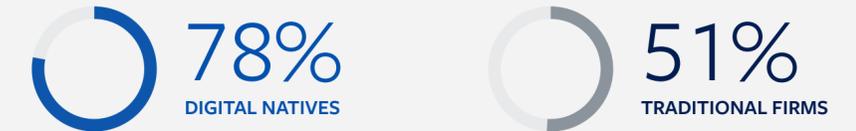
Technology spending is higher than ever before. Digital and tech transformation is at the top of every leader’s agenda: the question on everybody’s mind is what more can they do to accelerate the speed of innovation.

To answer this question, we looked at:

- | The differences between how Digital Natives and traditional financial institutions approach transformation
- | How firms classed as Leaders drive transformation

The results were surprising.

Digital Natives (online banks, brokers, robo-advisors, and digital wealth management firms established in the last 15 years and not part of an incumbent firm) are more likely to agree that digital transformation is their most important strategic initiative (78% vs. 51% of traditional firms). They’re more advanced at deploying AI, blockchain, cloud computing, and other emerging technologies.



They’re also more likely to make big investments in data analysis and visualization tools (66%) and AI during the next two years (46%).



Incumbents need to deal with legacy IT systems while Digital Natives need to focus on prioritizing innovation, enhancing the customer experience, and automating workflows.

A greater proportion of traditional firms are Leaders (20%) in our maturity framework compared to Digital Natives (14%). Digital Natives can learn from incumbents about how to develop the skills and resources required for tech-driven change, and how to create a culture of innovation.



CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

15

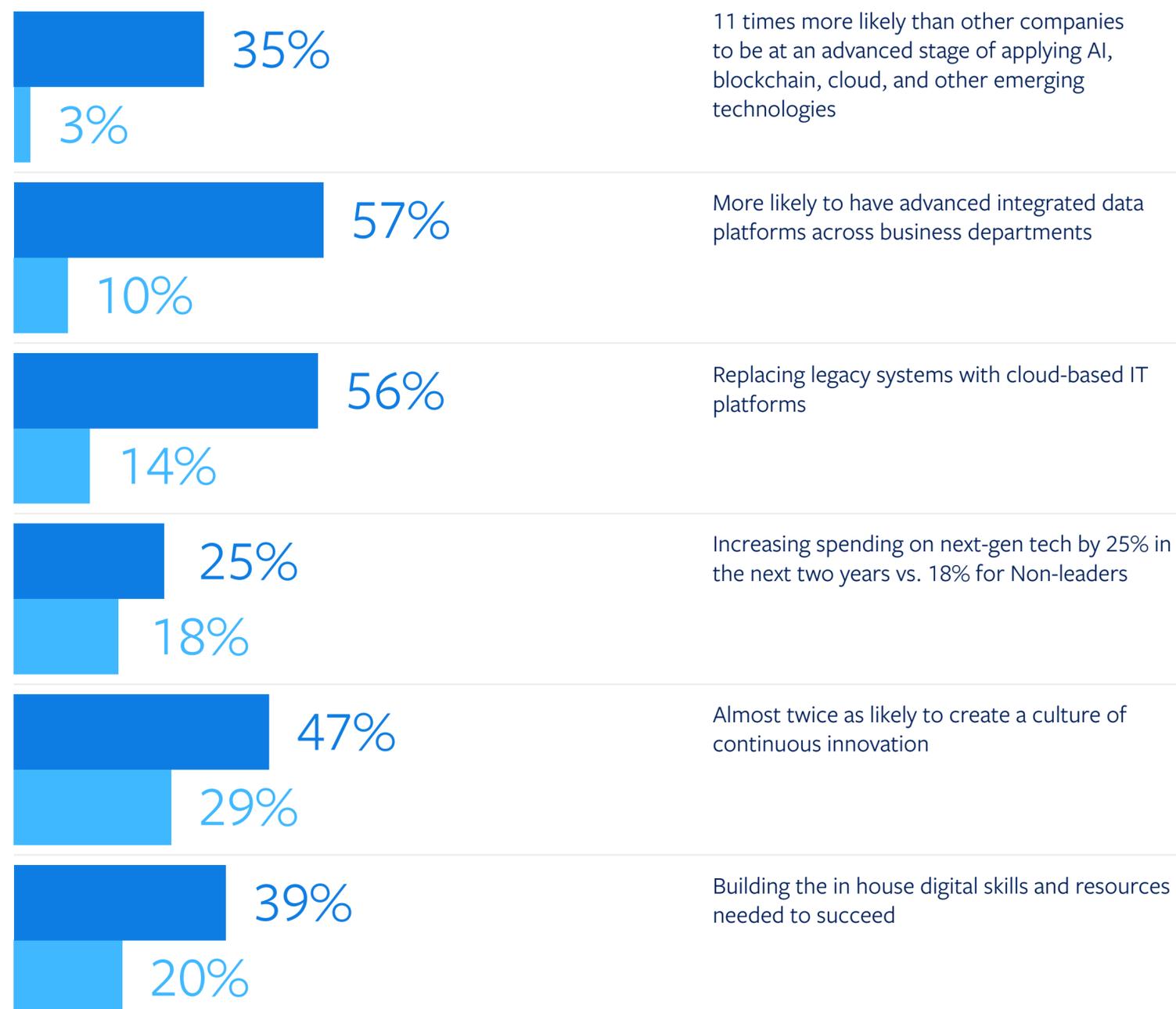
Broadridge

Third annual survey of executives on their digital transformation journey

What digital Leaders do differently

Leaders are doing six things differently. They are:

● Leaders ● Non-leaders



LEADERS SAY

“Winners will collaborate with tech”

“Think about your place in the ecosystem. The winners will be regulated financial institutions most adept at collaborating with tech and fintech firms.”

— *Non Executive Director, UK Bank*

“Stay focused”

“Stay focused on your value proposition to give customers what they want. Keep an eye on what is coming in the future, and how you can take advantage of it to benefit your customer.”

— *Head of Data and Analytics, US Wealth Manager*

“Stay flexible”

“Stay flexible and adapt. We all have strategic plans, roadmaps, and visions, but no matter how good they are you need to be adaptable. Hire people with that mindset in the C-suite. The more visionary people work for Facebook and Google, so you need a good C-suite who are willing to be flexible and adapt.”

— *CEO, Swiss Private Bank*

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

Broadridge prepares you for what's next

Broadridge partners with clients across Capital Markets, Asset Management and Wealth to accelerate digital transformation. We modernize platforms, digitalize communications, and offer next-gen technology and data solutions that help our clients capitalize on emerging opportunities.

Let's talk >

FURTHER READING

Market trends, insight and analysis to help you navigate digital transformation, innovation and next-gen technologies.

Read more >

16

Broadridge

Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

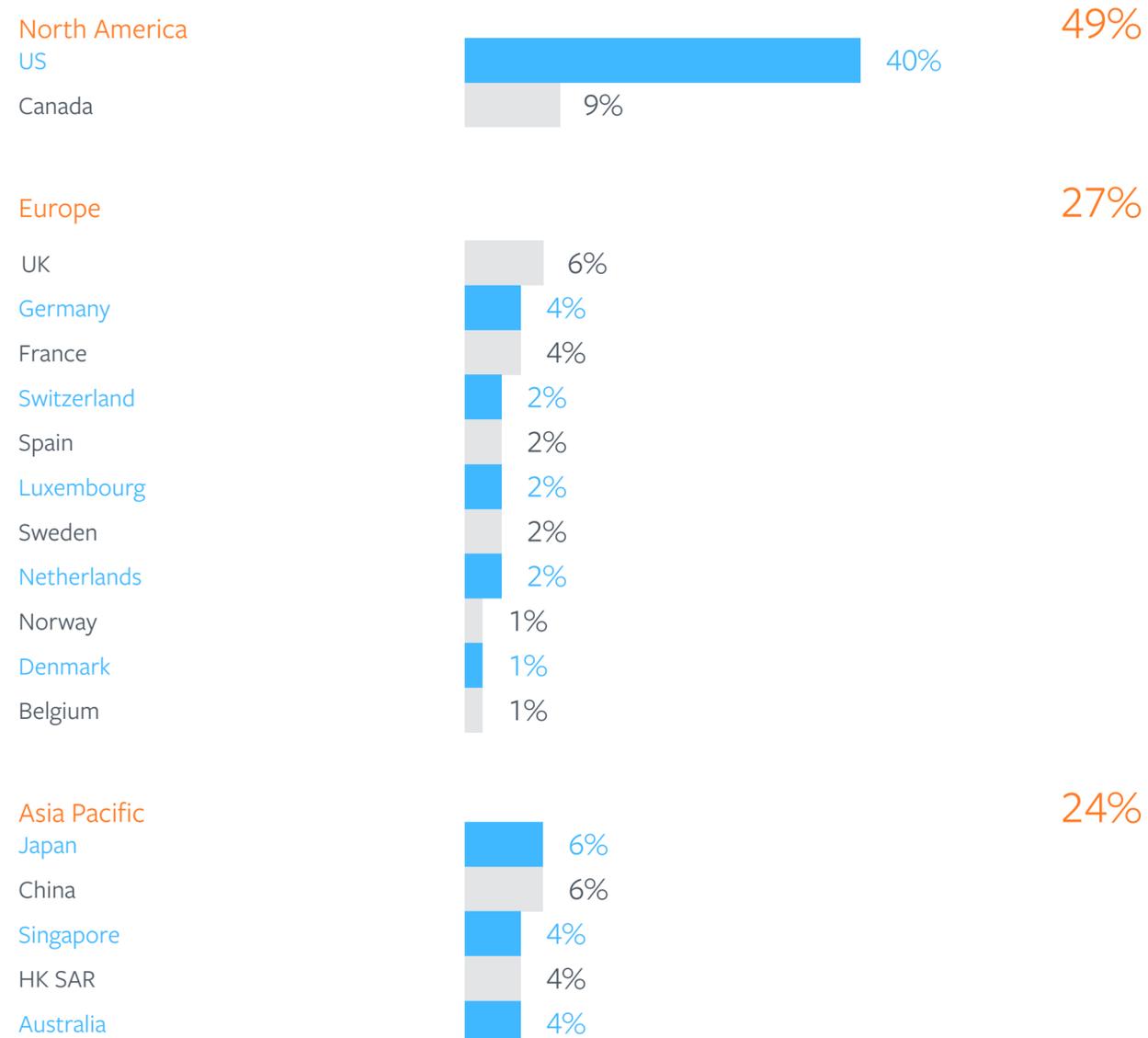
Co-piloting digital transformation

Lessons learned

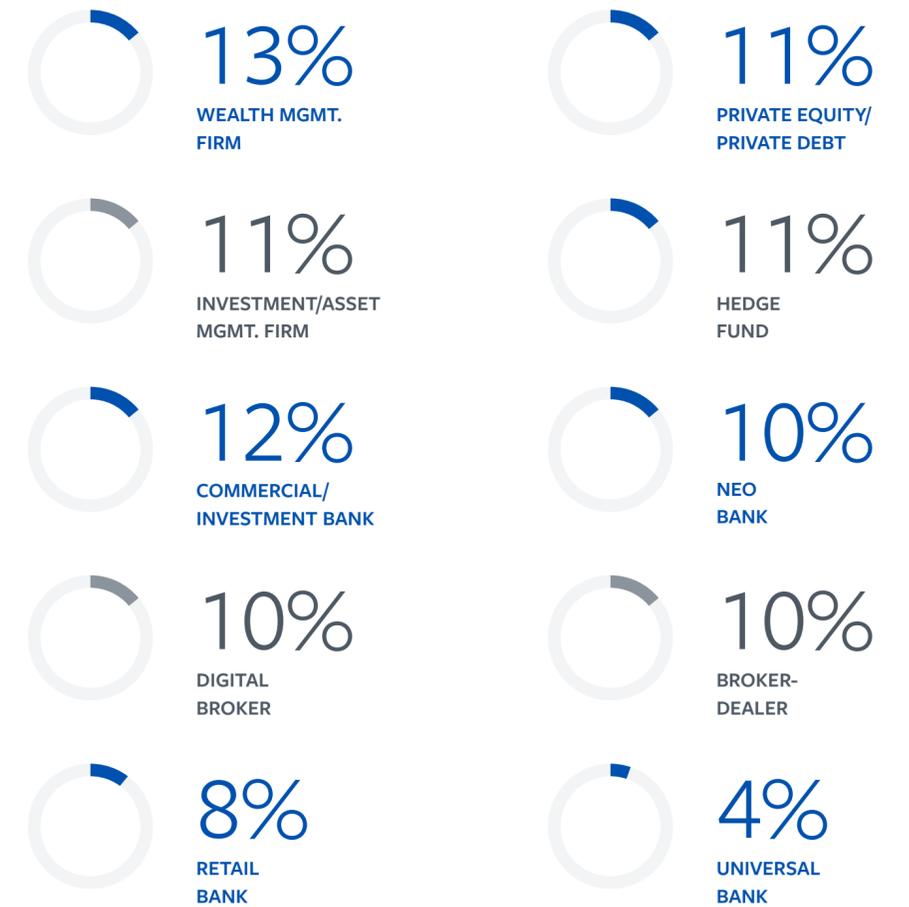
Appendix and study data

Appendix and study data

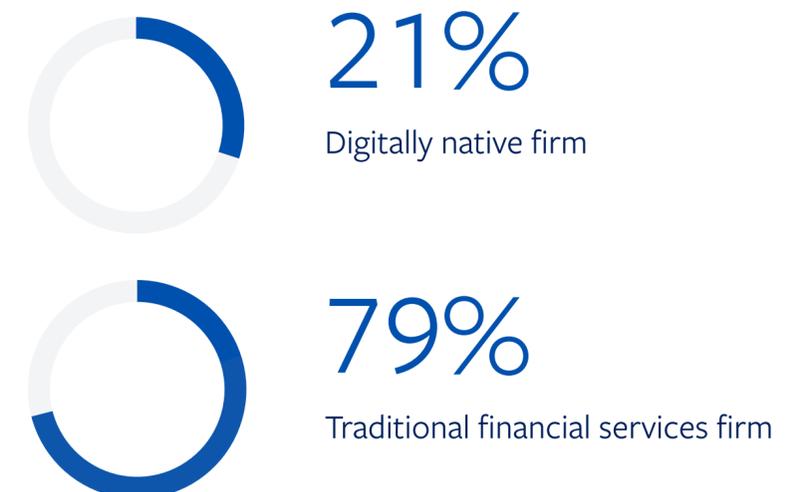
RESPONDENTS BY COUNTRY (TOTAL 500)



RESPONDENTS BY INDUSTRY SECTOR



RESPONDENTS BY TYPE OF FIRM



Broadridge
Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

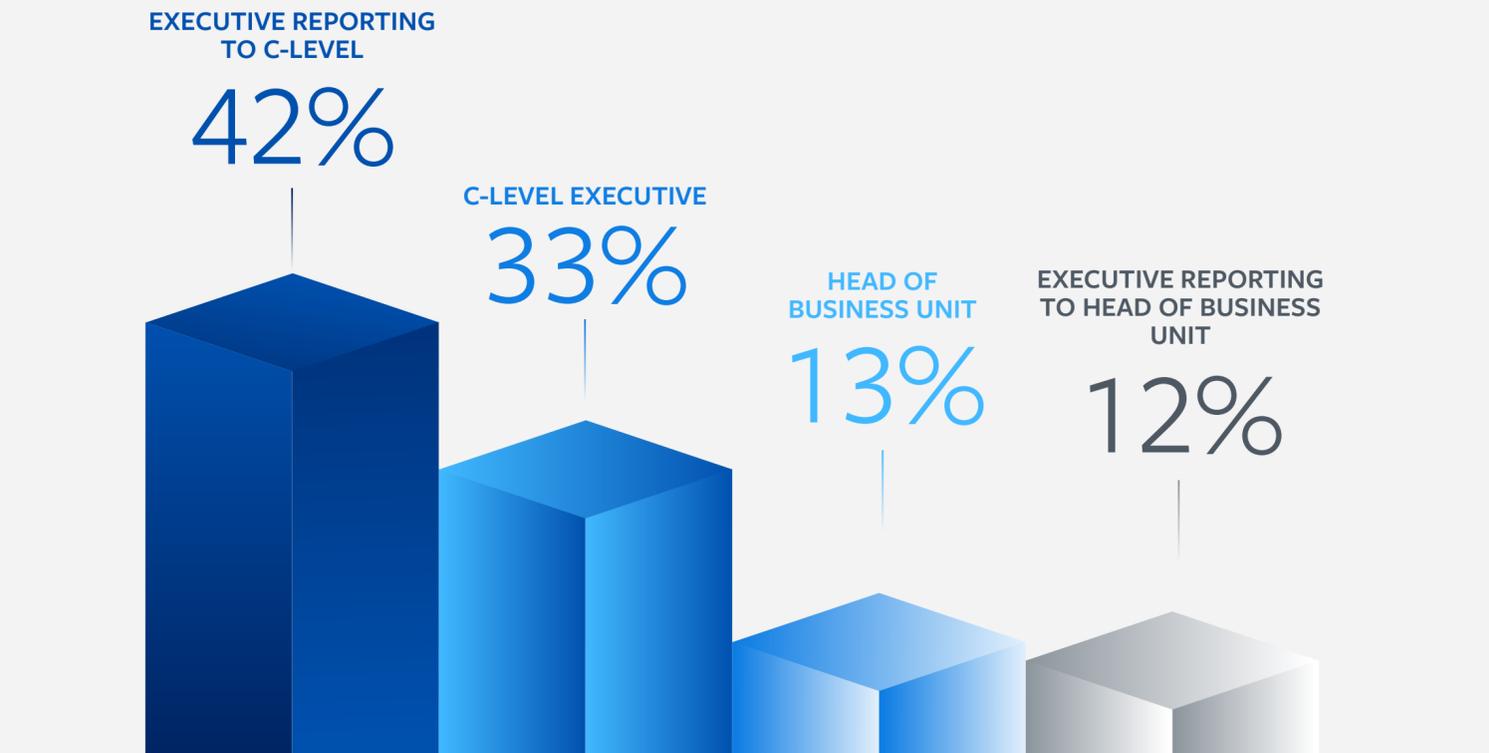
The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

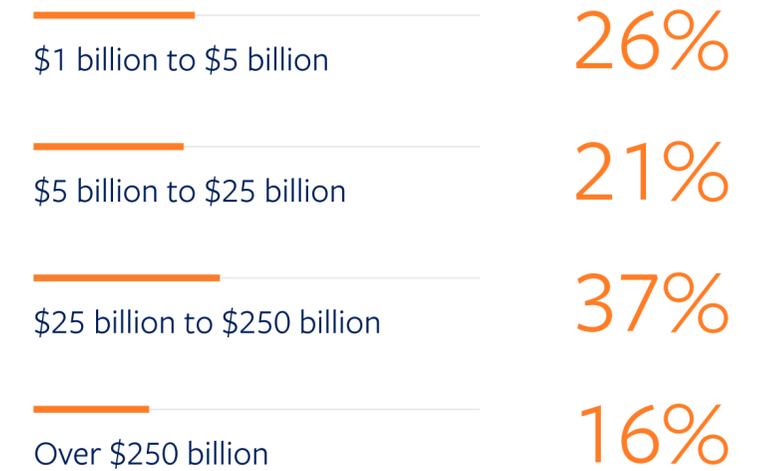
Respondents by title



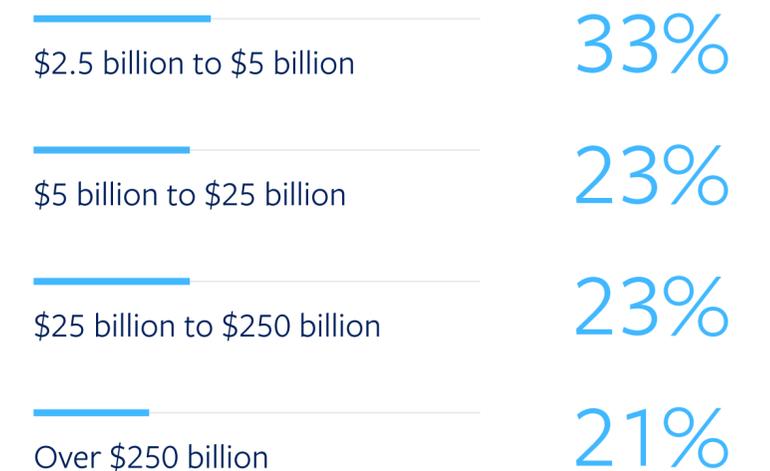
C-level executives surveyed



Respondents by AUM



Respondents by total estimated assets



Broadridge
Third annual survey of executives on their digital transformation journey

CHAPTERS

About this Study

The revolution goes mainstream

Next-gen technology's impact

Overcoming digitalization hurdles

The role of nascent technologies

Co-piloting digital transformation

Lessons learned

Appendix and study data

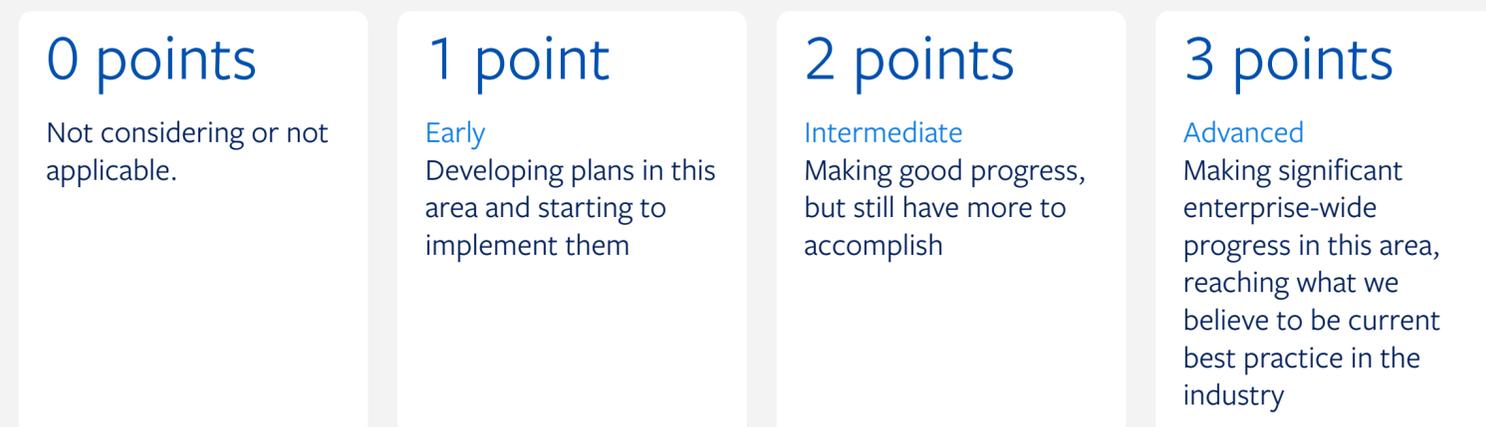
Defining digital maturity

We developed a maturity framework based on the reported progress a company is making in areas of digital transformation.

The framework was created by asking respondents: "What stage of development has your company reached in the following 10 areas of digital transformation?"



Levels of progress were defined as follows:



Study background

This Broadridge survey was conducted by ThoughtLab Group to understand how financial services companies are digitally transforming and adopting next-gen technologies. C-suite executives and their direct reports from 500 financial institutions globally on the buy side and sell side were surveyed, with fielding completed in Nov 2022. The total assets or AUM of companies in the sample ranged from \$1 billion to over \$250 billion. The study scored firms on a range of factors related to progress with digital transformation. Firms were then categorized as digital Leaders or Non-leaders in the Broadridge Digital Transformation Maturity Framework. For further details on survey methodology, please contact a Broadridge media representative.

Broadridge

Third annual survey of executives on their digital transformation journey



To scan, simply open the camera app on your mobile device and point the camera at the QR code.

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

[Broadridge.com](https://www.broadridge.com)



Ready for Next