

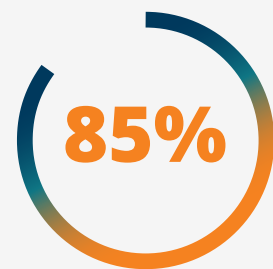
Beyond the Hype: Uncovering Trends, Fads, and the AI Advantage in Financial Services



Although the financial services industry has been around since before the rise of the Roman Empire, it has long been at the forefront of innovation. Evolving consumer expectations for retail and investment banks continue to shape this ancient industry and push it forward in modern times.

Despite a common misconception that the financial services industry is stuck in its ways, you just have to look at its adoption of AI to see how open to new technology this sector is.

At the same time, Gartner predicts that **the worldwide banking sector's IT spend will reach \$652.1bn by the end of 2023**. This means that it's clear that the sector needs to ensure this heavy investment into technology isn't being spent on fads, but instead, on long-term trends that benefit the business, its employees, and the client portfolio. Therefore, **it's critical to differentiate the trends from the fads**.



The Economist Intelligence Unit highlights that 85% of senior banking IT professionals have a clear strategy for adopting AI in the development of new services and products.

Trendspotting

Trends are long-term shifts and industry-wide. Fads, on the other hand, are often the result of a short-term surge in demand or hype – neither of which bring clear value to the table.

For example, cloud computing and subscription-based services now impact almost every element of our working lives. Even when we're finished with work for the day, we tend to rely on cloud-supplemented subscription services to stream our favourite content. This is very much a trend that has weaved its way into our everyday lives.

On the contrary, fads tend to come about due to a potentially unforeseen change, such as legal regulations that financial institutions simply have to get used to like MiFID II or the Digital Operations Resilience Act.

Issues can arise when compliance deadlines are pushed back – and they regularly are. In fact, Making Tax Digital 2015, an accountancy initiative originally set to be in place by 2020, has already been pushed back to April 2026.

It's also important to note that what can be deemed a fad at first can become a trend over time. Look at AI for example – we've been talking about it for decades but today it's a true game changer because it can actually solve business problems in all sectors.

There's a reason this didn't happen overnight – AI needed to prove its value to the financial services industry. AI needed to understand highly technical language, and enough cloud computing power was needed to gather the facts, audio, and visual data required to train AI models.

Only once this was available could AI move businesses away from providing low-level chatbots – that were little more than active FAQs on a website – to a true trend. When AI was "just a fad," it was simply a case of either it not being ready for the world, or the world not being ready for it. Sometimes the timing and technology infrastructure need to be right to allow technologies like AI to evolve.

Building the Foundation for Thriving Tech Trends

While differentiating between trends and fads is key to the long-term success of organisations within the highly competitive financial services industry, it's just as important to ensure the proper infrastructure foundation has been set before investing in new technologies. Failing to do so is akin to building a house on faulty foundations, which inevitably results in issues further down the line.



Those foundations – namely agile network infrastructure – should be introduced after looking not only at the immediate and short-term gains of investing in a particular trend but also the benefits it'll have in the decades that follow. This is where we are with AI now – businesses are enjoying the productivity gains of generative AI, yet too few are looking to optimise their tech stacks to get ahead of the competition and prepare for the benefits automation and machine learning will provide in the next 15 to 20 years.

Businesses must consider the need for high-speed connectivity, edge computing, cloud infrastructure, and robust security measures when evaluating their existing infrastructure stack and preparing for the future.

From fibre networks to firewalls, SD-WAN solutions to scalable cloud services – every infrastructure investment must be evaluated in light of long-term technology goals. Legacy tools and systems simply won't cut it when it comes to taking advantage of AI and other advanced technologies.

This is why technology leaders should evaluate how they can future-proof their tech stacks by focusing on building an environment where they can take advantage of opportunities presented by emerging trends instead of squandering them due to a short-term focus.