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2024 Predictions

Insights by Kyndryl Experts
Chapter II



Executive Summary

In the year ahead...

Digital transformation has become synonymous with business evolution. Organizations around the world are recalibrating their strategies to embrace rapid technological change, all while navigating a challenging macroeconomic environment.

As enterprises continue to modernize their mission-critical operations, deciding how and where to allocate investment will gravitate toward several secular IT trends. Those include:

- Preparing organizational data for the deployment of AI-powered technologies.
- Striking a balance between on-prem and cloud-based workload processing as enterprises reassess cloud expenses and the long-term resilience and value proposition of the mainframe.
- Modernizing complex IT estates to increase visibility over mission-critical operations, proactively addressing challenges before they impact the business, and delivering solutions to optimize IT and create a better user experience.
- Addressing an industry-wide skills shortage that requires focusing beyond experts well versed in emerging technologies, including talent that can fill in-demand skills in growing areas of security and core computing.

Because Kyndryl operates at the heart of these secular trends, each year, we survey our senior business leaders and experts to extract insights in how mission-critical IT infrastructure will evolve in the coming year. This year, we present findings across three reports. In this second report, we explore insights provided by three of our industry leaders, covering financial services, retail, and healthcare.



Organizing data to achieve business continuity

The Big Picture

Enterprises across the financial services industry face significant challenges in the form of cybersecurity threats, increased regulatory compliance, and the need to adapt to new technologies. Because their IT estates are often sprawling and complex, their technology leaders feel pressure to ensure expectations in those three areas are met. They do so in an environment for which there are gaps in the talent pool, and during a time in which employee retention remains a challenge.

In the coming year, enterprises will take steps to achieve greater strategic alignment and resource optimization as they sharpen scrutiny over investments in their mission-critical operations. Their aim will be to pragmatically modernize their infrastructure, simplify complex IT environments, and secure high-quality data to put toward innovation.

2024 Outlook

– Financial services firms will accelerate steps to get their data better organized for the use of powerful new digital innovations, including generative AI. In banking, years of investment in a patchwork of data systems make this a particularly challenging proposition. The work will include organizing and ensuring data quality, proper controls and governance, risk management, and then, finally, deploying AI to be effective. Adopting new innovations will also mean ensuring the data fueling them remains protected. New technologies mean bad actors have new vectors to exploit.

- Financial services entities will rely on their third-party service providers to help them navigate and align to new regulatory requirements prescribed in the European Union’s forthcoming Digital Operational Resilience Act (DORA), with enforcement beginning on January 17, 2025. Under that law, enterprises will be bound by standards for risk management, incident reporting, resilience testing, and third-party risk management. The law is akin to a new SEC rule in the United States which, among other things, requires all public companies to disclose material cybersecurity incidents they experience.
- As insurers continue to grapple with the rising costs associated with climate change and its increasingly unpredictable weather patterns, they will turn to technology to help mitigate some of those costs. That will include greater investment in cloud, applications, and the overall digital modernization of their IT estates. If they do it correctly – and with the right partners – it could lead to significant savings.
- In the US, financial services enterprises will gird themselves in anticipation of greater regulatory scrutiny following high profile collapses within the banking industry in 2023. In early 2023, the US Treasury Department expressed concern about cloud concentration risk, and the benefits of adopting a multi-cloud strategy. The government also warned about gaps in the current talent pool. Financial services firms that are able to tap into skills that help them tailor cloud services to better serve customers and protect their information will be at an advantage moving forward.

“Financial services firms have invested in so many data systems over the years that they’re now contending with a patchwork of systems. As they look to deploy AI across their IT estates, there’s a lot of work to do around data quality, controls, governance, and risk management.”

– *Robert Turner, Kyndryl Senior Vice President*

Melding digital and physical to enhance CX

The Big Picture

As the retail industry weathers economic volatility, leaders shouldn't forget one of their most valuable resources: customer loyalty. Heading into 2024, retailers are contending with inflation, labor shortages, and budget-conscious spending, among other challenges. Data shows consumers overwhelmingly use multiple channels to shop — and they're demanding seamless, connected experiences that bridge the physical and digital worlds enabling hyper-personalized shopping from any device, anywhere, at any time. This move toward a “phygital” experience will gain steam in the coming year, as industry leaders focus on investing in mobile app experiences and reimagining the in-store shopping journey.

Convenience and value will be key. But retailers will need to distinguish themselves as inflation curbs spending and customers seek even more personalized experiences. Consumers will expect retailers to understand their unique interests, budgets, and habits — and tailor interactions accordingly. Achieving this 360-degree customer view will require enterprises to harness — and protect — data as they adopt emerging technology, including generative AI, to drive innovation and productivity.

2024 Outlook

- Retail leaders will aim to differentiate with phygital experiences — which bridge the gap between physical and online shopping — for a broad range of consumers. Enterprises will invest in mobile technology and prioritize loyalty apps — a valuable data source in the age of hyper-

personalization. While mobile apps have become vital to consumers lives, app fatigue has set in. Retailers are realizing that these apps must be indispensable to their intended users.

- Location awareness enabled by Wi-Fi will take the phygital experience to the next level, providing a wealth of data around customer behaviors. A primary benefit is using this data to enhance brand loyalty and engage with customers in meaningful and interactive ways. Retailers will abandon the spray-and-pray tactics of digital marketing and instead incorporate relevant proximity marketing with personalized notifications on great deals, discounts, and loyalty offers. Location awareness will also assist customers with augmented wayfinding, and provide retailers with reliable customer behavior insights.
- On the brick-and-mortar side, modernized stores will enhance experiential shopping with technologies such as intelligent dressing rooms, visual AI smart mirrors, and dynamic digital signage that can display customized information tailored to consumer preferences.
- Generative AI will enable retailers to personalize the customer experience. A case in point: Companies can use large language models to re-write product descriptions that are fine-tuned to reflect generational nuances.
- Because data is so essential to driving business outcomes, retailers focus on preventing data leakage, which exposes protected information to unauthorized users. Investing in a sound security strategy can help enterprises avoid the consequences of leakage, including financial loss, operational disruptions, fraud, and severe brand damage.

“Unifying data across physical and digital retail interactions is at the heart of personalized and meaningful customer experiences.”

— *Kayla Broussard, Vice President of Customer Enterprise Architect*

Leveraging quality data and AI to enhance patient experiences

The Big Picture

The healthcare industry is under enormous pressure as it navigates economic headwinds and worker shortages. As of October 2023, the US government reported a shortage of more than 17,000 primary care workers, more than 12,000 dental professionals, and 8,000 mental health practitioners. Because of these challenges, industry leaders are focused on improving productivity and the patient and caregiver experience. Being able to see even one more patient a week has the potential to make a difference for health systems teetering on the edge of profitability. And enhancing the patient and caregiver experience is essential to fostering brand loyalty and gaining the comprehensive patient views that drive better health outcomes.

Technology can help fill these gaps and accelerate the industry's efforts to maximize resources. Still, CIOs in the healthcare space worry if they have the right skills — and bandwidth — to better leverage technology.

2024 Outlook

- Healthcare systems will focus on maximizing existing technology investments to boost productivity and improve the patient and caregiver experience. They will work to ensure alignment between electronic health records systems and hyperscalers to better leverage collaborative technology platforms. Many physicians and hospitals have adopted EHRs, but use multiple systems, which can make data difficult to access and manage. There is an opportunity for systems to streamline their cloud-based EHR strategy. These efforts will be driven by financial constraints and a desire to

get more value out of technology that has already proven to increase efficiency, security, and reliability.

- Powerful new generative AI tools are only as strong and reliable as the data they're fed. To that end, healthcare systems will work to ensure they have their data organized to leverage and incorporate those new innovations into their operations. AI tools can be game-changing for patients, caregivers, and physicians alike. Early successes are already apparent, as systems turn to AI to help with supply chain challenges and improve call center performance. Healthcare systems that move too slowly toward organizing their data and data governance in preparation for AI tools, risk being outpaced by their competition.
- The adoption of new technology has a flip side: It is critical to balance innovations with a strong cyber security and resiliency strategy. There is a persistent threat of highly sensitive data ending up in the wrong hands. New tools — while beneficial — offer vectors for bad actors to exploit. With the right partners, healthcare systems can adopt generative AI at scale and with guardrails that protect their most sensitive information.

“We’ve been obsessed with AI in relation to data. But the healthcare industry is now going to be using AI as a part of daily operations — specifically in a clinical setting. This is not only about improving the caregiver experience but improving the patient experience and driving better outcomes across the board for health systems.”

— Trent Sanders, Vice President and Customer Partner

Kyndryl's Experts



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About Kyndryl

Kyndryl (NYSE: KD) is the world's largest IT infrastructure services provider, serving thousands of enterprise customers in more than 60 countries. The company designs, builds, manages, and modernizes the complex, mission-critical information systems that the world depends on every day.

30+

Years of experience

60+

Countries

Headquartered in New York City

3,300+

Patent portfolio

230+

Data centers globally

6

Global Practices

- Applications, Data & AI
- Cloud
- Core Enterprise & zCloud
- Digital Workplace
- Network & Edge
- Security & Resiliency

8.8 million

Training hours completed by Kyndryls in Fiscal Year 2023

98 hours

Average training hours per employee in Fiscal Year 2023



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