

Sector Analysis:

Financial Services

Financial Services (FS) is arguably one of the largest industry sectors, which further segments into Banking and Insurance. Banking consists of Consumer Banking, Payments, Wealth Management, Business Banking, Corporate & Investment Banking, and Asset Management. Insurance consists of Life Insurance, P&C Insurance, Health Insurance and Reinsurance. Other players tend to be Financial Markets, NBFCs, and so on. FS industry is a heavy user of IT, since much of its assets, besides, cash and people, tends to be IT systems, and most IT applications enable revenue generation. The FS industry represents a bit of an enigma in that, they are early adopters of technology, spend a lot on IT, have strong engineering skills, yet often enough, their work practices are not very mature, and technical debt tends to anchor down its speed to market goals (aggravated by unassimilated acquisitions).

Top priorities for FS organisations are expected to be around:

1. **Business/market share growth:** efforts focus on product innovation and value-added services, cross-sell and up-sell by taking the full-proposition of the firm to clients, marketplace/market making (driven by collaborations with FinTechs and InsureTechs; new platform plays – sometimes driven by imperatives to retain relevance in the value chain), addressing underserved markets, greater effectiveness in opportunity selection and risk based pricing (using internal and external data), segmentation and relationship based pricing, and so on.
2. **Greater customer focus:** efforts centre around effective and engaging customer journeys, fair pricing, breakthrough simplification of products and processes (catalysed by digital only firms, FinTechs and InsureTechs), transparent real-time services (e.g. Payments), effective expansion of omnichannel performance in the new digital

Financial Services firms can access unprecedented opportunities to deliver compelling new products and value propositions to customers by combining, insightful use of digital and IT advances with their traditional strengths and prudence; aided by forging value multiplying collaboration with FinTechs and InsureTechs.



world to make personalised and meaningful real-time offers, continuity of context, interactions and warm transfers across channels, and so on. This is all the more important since digital is eliminating the disadvantage of physical distances.

3. **Profitability improvement:** business processes are being reimagined to improve STP levels by eliminating/minimising steps, use of digitalisation, and so on. Remnant operational bulk is attacked using automation including RPA. Further optimisation is done by rationalisation of business infrastructure, use of distributed ledger technology, usage of new ways to complement existing methods, for example, use of AI in fraud management,

drones in claims management, usage of cloud, Agile-DevOps to enable movement of code to production faster.

4. **Cybersecurity:** while this topic has received focused coverage in this publication, a mention is necessary of the advanced digital identities and authentication technologies being adopted by FS firms, to ensure privacy and protection against fraud (incidentally, World Bank's Identification for Development - ID4D aspires to identify ~1.1 billion people that are unable to prove their identity).
5. **Regulations:** while new rulemaking has reduced across some parts of the world, work remains to be done by FS firms to streamline organisational conduct to fulfil the numerous regulatory, fiduciary requirements and to deal

with regulatory measures that focus on spurring competition (e.g. Open Banking – which could unlock new existential avenues for some traditional firms!).

6. **Digital transformation:** quite a few aspects of the five other priorities listed above, are enabled by effective use of data management, analytics, AI/ML, APIs, microservices, usage of mobiles, social media, wearables, connected and IoT devices, biometrics, robots, digital wallets, insightful revitalisation of legacy systems, and so on. Digital innovations such as autonomous vehicles require insurers to evolve their business model. Successful digital implementations effectively address goals and objectives of business use cases, answer well the, ‘What’s in it for me?’ question of clients and end consumers, to deliver distinctive benefits. Numerous consortiums have also been formed around new technologies, to ensure rapid and full market leverage.

Pursuit of these priorities is best captured in the following industry examples:

1. Commonwealth Bank launched its chatbot Ceba which uses AI to assist customers with 200+ banking tasks such as activating their card, checking account balance, making payments, and so on. It can recognise the ~60,000 ways these 200 tasks can be requested.
2. Metlife has developed a user interface for its customers and agents, to help them to get a complete view of their relationship on mobile, tablet, and PC. This is built on Docker’s containers-as-a-service platform (CaaS), and the microservices tap into 400+ system of records (SoRs) of the insurer. These SoRs use different languages with codes dating back to the 80s. DevOps enabled rapid release of the application - it took five months from the concept phase to production.
3. ANZ Bank has done leading-edge work in mobile payments across Apple Pay, Android Pay, Samsung Pay and Fitbit Pay. This is further aided by the capability to support high-value transactions with voice biometrics.
4. Citibank Open Banking APIs allows Retailers, FinTech and so on to connect to core Citi financial functionality. Some of the APIs available are accounts, customers, cards, authorise, money movement, onboarding, pay with points, utilities payments and so on.
5. Orange a telecommunications firm, with the help of an SI,

launched a 100% mobile-based bank with multiple free features. The firm offers a current account, savings accounts, and so on. It uses AI-based virtual advisers; its proposition is complemented by its existing network of 890 stores!

6. Liberty Mutual Insurance has launched two new tools, Total Home Scores and Dwellbeing. The former is an analytics product that helps consumers understand ‘hidden’ livability factors, such as noise and driving patterns in the area before they move into a new home. The second tool helps homeowners proactively maintain their home with alerts, associated with the maintenance of common household appliances, and provides details on how to go about servicing them.
7. JP Morgan’s award-winning wealth management analytics platform aids in realtime calculation of performance, contribution and attribution, in addition to on-the-fly grouping and advanced ex-post risk analytics.
8. Seven global banks, and seven European banks have come together to develop two different blockchain based solutions. The former group’s solution focused on implementation of a marketplace for syndicated loans, while the latter group’s solution focused on cross-border trade finance for SMB enterprises.
9. Clients of Wells Fargo’s Commercial Electronic Office (CEO) portal can use mobiles to take selfies of their eyes, as a biometric sign-on (works on the principle that humans have unique eye veins).
10. John Hancock Vitality programme helps customers obtain discounts on life insurance policy premiums and earn rewards for sharing fitness tracking device data and basic medical information.
11. Farmers insurance uses a fleet of drones to enhance the claims experience for customers who have suffered significant damage to their roof following major weather events.
12. Zurich Insurance Group and an SI received an industry award for their transformational approach to RPA. The European roll-out programme spanned five countries and involved a travelling squad of business analysts, RPA specialists and a central RPA delivery centre, to automate the highly complex international issuance process.



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www.capgemini.com

For more details contact:

Kishor Wikhe

Executive Vice President and
Global Head of Group Managed Services
kishor.wikhe@capgemini.com

Ramesh Kumar Ramamurthy

Executive Vice President and
Global Lead Application Development and
Maintenance Practice
rameshkumar.ramamurthy@capgemini.com

Shyam Narayan

Head of Managed Services
Australia and New Zealand
shyam.narayan@capgemini.com

or email:

capgemini.marketing.au@capgemini.com

For press inquiries, please contact:

Violet Yeo

violet.yeo@capgemini.com

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