



Special Feature: Technovision 2012 and Financial Services

Banks and Insurance Companies are Keen to Leverage IT Innovations, but Where do they Start?

As “next generation” becomes “this generation”, banks and insurance companies are deciding how to leverage cutting-edge IT to bolster customer service and experience. Tools like TechnoVision can help CIOs see which technology trends will actually drive business.

Consumers are becoming “smarter” every day. From smart phones to smart houses, people are embracing the interactive experience—using the humble mobile phone, for instance, to call home, switch on the lights, and program the TV. Financial services companies are ready and willing to raise their game in this new smart age, but where do they start?

Information technology (IT) has always been a strategic issue for financial services firms, which have long deployed foresight and dollars to make sound IT decisions. However, the IT imperative is evolving.

In every industry, the speed of IT innovation is challenging companies to settle quickly and decisively on those technologies that will truly create value for their business going forward. While many financial services firms have developed a robust track record of adopting a wide range of technology-enabled products and services and even being aggressive first-movers, the ever-accelerating wave of IT innovations renews and raises to an unprecedented level the need to pinpoint the new IT blockbusters, at the right time.

Those decisions, however, are complicated by history. All but the newest financial institutions have amassed layers of bespoke legacy systems—after making what generally seemed like pretty good IT decisions at the time. Those systems delivered capabilities that were critical to driving all aspects of the business—from customer relationship management to security and risk management. But those systems have ultimately cobbled myriad systems together—and many pale in comparison to today’s interactive solutions.

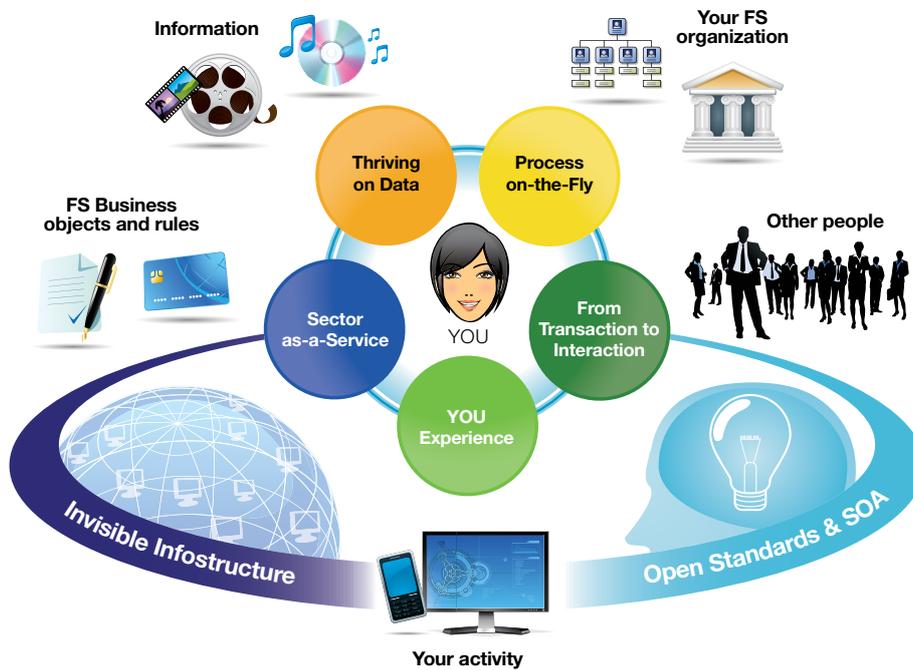
As a result, many financial services firms have one foot stuck squarely in legacy IT territory while they watch technology proliferating at breakneck speed on Main Street. And they are left to wonder exactly how the technology that brought us the sleek-but-savvy iPhone and Second Life’s otherworldly avatars relates to them.

In short, how on earth can banks and insurance companies zero in on the technological innovations and capabilities they really need to deliver innovative products and services, meet soaring customer expectations, and fulfill strategic business objectives?

“TechnoVision” Classifies Technology Trends from a Business Perspective

Capgemini has just published a new framework—TechnoVision 2012—that is meant to help technology executives do just that. “*Now more than ever, CIOs and CTOs must make IT decisions that will drive business results,*” says Jacques Richer, director at Capgemini Consulting, Financial Services. “*TechnoVision can help individual banks or insurance companies to identify which technology trends matter most to their clients, value proposition, organization and users, and gauge how those technologies will support or even trigger business initiatives.*”

Figure 1: The Seven Clusters of TechnoVision 2012 in Financial Services



Source: Capgemini 2008

Capgemini developed TechnoVision 2012 to offer a comprehensive, forward-looking examination of technology for corporate users in all industries. The framework arranges key IT trends into seven clusters, depicted for financial services firms in Figure 1.

The value of the framework lies in helping companies to make sense of the essential trends within the proliferation of innovations, and to map the business drivers of their organization in a simple way to the technology solutions most suited to address them.

Five clusters reflect five complementary aspects of IT as it is experienced daily by a financial services company, namely:

- “You Experience” comprises tools that support the activities of an individual user.
- “From Transaction to Interaction”: IT tools to facilitate formal and informal interaction among individuals and groups.
- “Process on-the-Fly: IT as a workflow manager for implementing corporate processes.
- “Thriving on Data”: IT as a way to access information in any form and from any location.
- “Sector-as-a-Service”: IT as a tool to help manage business objectives while complying with business rules.

Two additional clusters act as enablers for those five: “Invisible Infostructure” comprises all necessary processing and communication infrastructures, and “Open Standards & Service-Oriented Architecture” ensures the interoperability of all other components.

By viewing the technology clusters in this way, it makes it easier to identify and explore the increasingly close link between technology and business. The clusters group together 17 underlying technology trends (see Figure 2), but the framework relates those clusters to real-life corporate applications.

Figure 2: Key Technology Trends for Corporate Users



Source: Capgemini research and analysis

For example, the “You Experience” cluster reflects the underlying trends in rich Internet applications, role-based user portals, “iPodification”, and mash-ups, so its application revolves around the new generation of user-interface technologies and Internet-based desktop tools that make for a compelling, highly individualized experience.

M-payments as a “You Experience”

“You Experience” applications are already evident to an extent in Financial Services—from the comparison tools used on e-banking and insurance sites to the channel-customized front ends of retail banks and the integrated communication tools used for cross-selling.

Another prime example is mobile payments, which enable users to conduct non-cash financial transactions while on the move. The user holds their mobile phone close to an enabled point-of-sale (POS) terminal and validates the transaction by entering a personal identification number (PIN) into the phone. They get a receipt in the form of a text message.

Users benefit by getting a new and flexible capability; banks benefit by promoting m-payments as a viable substitute for cash transactions, which are very expensive for any bank to handle. Capgemini uses Rabobank’s m-payments offering to illustrate “You Experience”, and notes the bank specifically benefited from its m-payments strategy by reinforcing its Internet leadership position with a very innovative image.

Moreover, Rabobank launched its own MVNO (Mobile Virtual Network Operator), “Rabo Mobil”, to establish the underlying infrastructure required for m-payments, in which NFC (near field communication) devices in the mobile phone and the POS terminal enable radio communication at short distances while the cell network links the phone with the bank’s server. By establishing those capabilities—part of the “Invisible Infrastructure” cluster in Capgemini’s framework—Rabobank has been able to capture more business value than in a classic partnership with a telecom operator.

Social Lending Illustrates the Shift from Transaction to Interaction

The “Transaction to Interaction” shift is also under way in Financial Services. It is characterized in the Capgemini cluster as being driven by the trends in social collaboration tools and smart business networks—capabilities that involve organizations and individuals in a steady, continual rhythm of learning, experiencing, creating and collaborating.

Applications already include collaborative tools (chats, blogs, wikis) for knowledge-sharing (including investment advice) internally and among peer communities, as well as tools for conducting business in a new way.

Consider the case of ZOPA (Zone Of Possible Agreement), an electronic marketplace based in Britain that matches those who want to borrow money with potential lenders. This person-to-person “social” lending involves private contracts without the intermediation of a bank.

Via the ZOPA web platform, borrowers tell potential lenders directly about their project and whereabouts, and lenders adjust their proposed funding levels and rates accordingly. As a result, ZOPA leverages the wisdom of the crowd to decide which requests should be funded and at what rate – providing an alternative to the view of a single traditional banker.

Founded in 2005, ZOPA has so far proved its ability to attract both lenders and borrowers without experiencing significant payment defaults.

Cutting through the IT Hoopla

Rabobank and ZOPA are just two in-market examples, but each provides a stark illustration of why IT strategy is so critical in Financial Services: Yes, IT can be an enabler and an engine of profitable growth, but it can also be a disruptor and a disintermediator.

Needless to say, the global financial crisis has raised the stakes even more, as firms everywhere look to IT (yet again) to deliver a strategic and competitive edge, and deliver efficiencies. Banks and insurance companies therefore need a way to cut through all the hoopla about IT innovation, evaluate the business opportunities and threats fully, and make strategic IT decisions accordingly—and in line with core business objectives.

Michael Cantor, Capgemini’s VP of IT Strategy, Enterprise Architecture & Security says TechnoVision provides a framework to drive that process. *“TechnoVision provides financial services companies with the freedom to choose where they want to focus their energies, and provides experience-based insight into the changes that will be required in project-management style to best leverage those new technologies—thus helping them achieve their business objectives.”*

Conclusion

With TechnoVision 2012, Capgemini brings a structured framework for informing IT decisions, but banks and insurance companies that want to pursue the opportunities of technology innovation still need to take deliberate steps to implement their strategy. In particular, they will need to:

1. Make sure IT and business managers identify and agree on key business drivers.
2. Pilot chosen technology solutions (e.g., integrating new technology components or external services within a standards-based architecture framework) to demonstrate their value and build buy-in.
3. Roll out the innovations across through the organization, with processes and governance designed to encourage iterative improvements.
4. Conduct regular in-depth reviews of technology.

By taking these steps, financial services firms can make sure they prioritize their IT efforts in the optimal way to deliver an impact that customers will see and value, while potentially reducing costs—as well as supporting other strategic objectives like increased regulatory transparency and compliance.

For more information or to download the Capgemini TechnoVision 2012 and Financial Services Point of View, please visit www.capgemini.com/fstechnovision or email technovision-fs.fr@capgemini.com