

Position paper

power to perform

in an unpredictable market

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Atos



Game changers in Financial Services

Good business performance is hard to achieve for organizations operating in difficult economic conditions.

The ongoing sovereign debt crisis continues to cause uncertainty in the Financial Services marketplace. This is in addition to the challenges already facing the sector, which include the demand for more personalized customer services, and the need to manage increasingly large volumes of information, or Big Data.

In a fast moving and unpredictable marketplace, the key priority is to gain competitive advantage. You need to be able to fix issues quickly and effectively, and identify new trends and innovate faster than your competitors in order to keep ahead.

The game has changed

This Atos point of view offers insights on potential 'game changers' in the Financial Services market: new technology paradigms that can help organizations to survive, and even thrive, in hard economic times. It is based on observations and research from Atos, supported and enriched by experience from clients and thought leaders attending recent IT analyst summits.

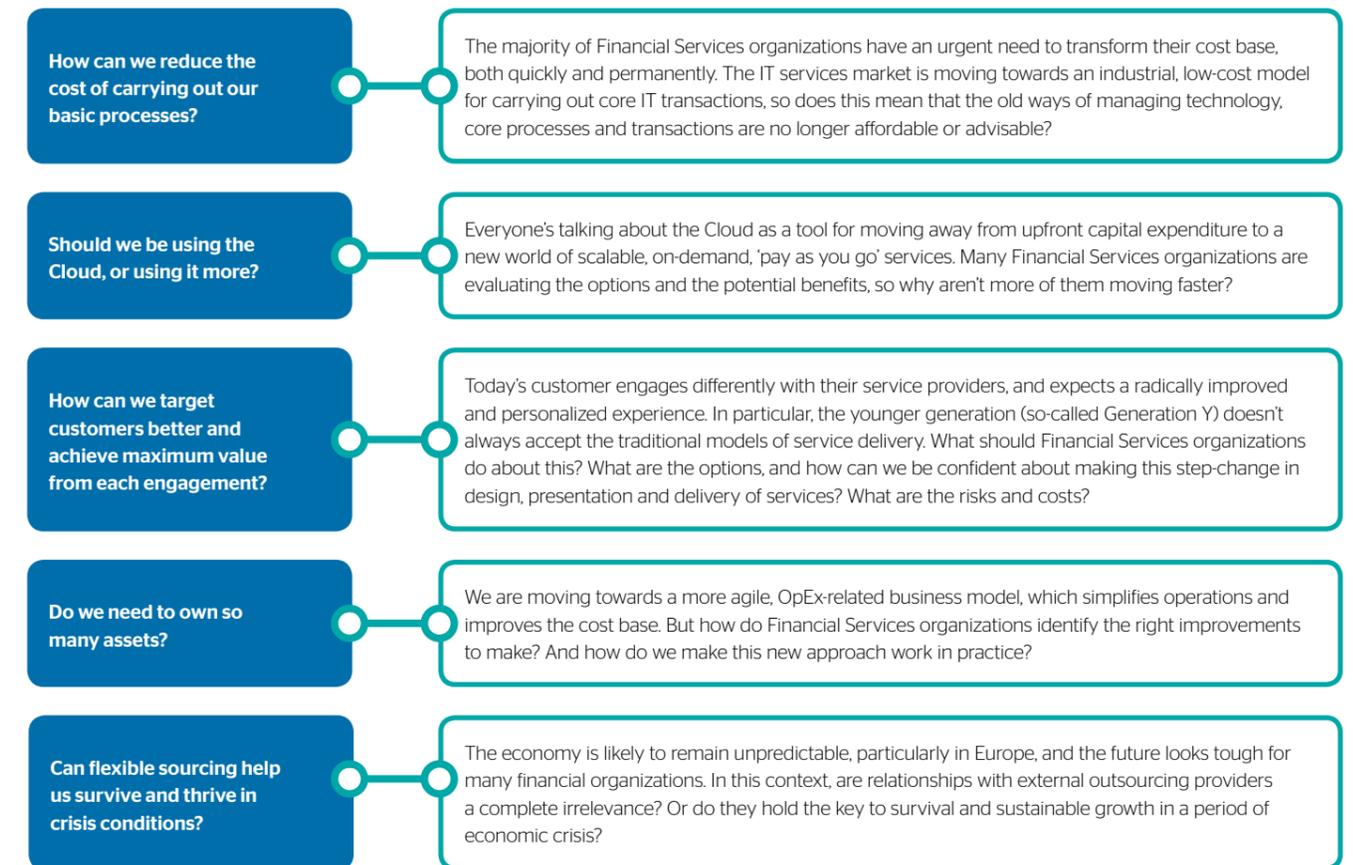
By 2015, 75% of all corporate email and collaboration will be in the Cloud

Big questions need fast answers

Financial Service organizations are asking fundamental questions about their structures, go-to-market strategies and technology policies.

The current crisis conditions are clearly concentrating minds and driving faster decision-making. Strategic changes that might previously have been discussed and reviewed over a period of months or years are now being planned and implemented in drastically reduced timescales. And a greater number of changes are being executed, more regularly.

As a result, we are often invited to take part in the following discussions. Answering these questions with insight and clarity enables many organizations to plan their futures with confidence



The Atos view is that there are important and immediate changes you should make to protect and grow your organization. Effective partnering brings agility to your business, and can make change work to your benefit.

Four key game changers



Fast developments in technology are making it possible to look at key challenges in a fresh way, and are leading to new answers.

We have identified four key areas of rapid development that challenge current business models and can offer significantly improved performance. These are:

Advanced service design

Industrialized service delivery

Agile outsourcing

The Cloud

Why do these trends matter so much, and how can players in the financial services sector make them work to their advantage? These are our views on each subject.

Advanced service design

Over recent years, most Financial Service organizations have been moving away from highly customized IT and process platforms towards more standard models. This has led to greater efficiency in the back office but has not greatly improved market share.

Customer loyalty and engagement is won through the use of industrialized IT and, importantly, advanced service design. This is especially true for insurance companies and retail banks. This 'mass-customization' provides customers with a service (and experience) that is right for them and completely satisfying. It has many benefits: increased customer loyalty, reduced cost of delivery and fast time-to-market for new services.

This can be hard to achieve, however, as shown by the small number of financial organizations that have implemented this well. You need a combination of:

- ▶ Business intelligence—for better initial targeting of smaller consumer 'micro-segments'
- ▶ Self-service technology—enabling consumers to choose different components to build their own personal service space
- ▶ Consumer technology—access to customers through the channels they already interact with.

A final point to consider is this. The pace of development of consumer technology means that most individuals now carry a mobile data device of some sort, which forms an ideal platform for delivery and management of personalized financial services. The potential is there—many organizations lack only the required creative service design.

By 2014 there will be 49 million virtual desktops and 208 million tablet PCs. How will it help your business?

Industrialized service delivery

Delivery of advanced, customizable services ultimately rests on the capabilities of the IT infrastructure, but many organizations have old, bespoke systems that are now difficult or risky to update.

The traditional bespoke solution approach, once common throughout business, is no longer the norm. Tailored solutions make it hard to move quickly to new operational models, and this prevents organizations from reacting with agility to the changing operational environment.

In the next few years, commoditization and industrialization will change IT working practices completely. Organizations large and small, will move to a new model, in which core IT is based on commodity processes and sold on a high-volume, low-cost, low-risk basis. It will often be delivered via the Cloud.

Most organizations understand the logic behind this fundamental change. It works alongside new methods for personalization and rapid customization to ensure that customer service improves as resources increase and costs reduce.

Agile outsourcing

Many organizations are looking at new ways to manage their assets. They want to reduce the number of assets on their balance sheet, moving away from upfront capital investment towards paying only for services used. But how can this be achieved without risk to service delivery? And how can you ensure long-term scalability without large financial commitments or additional risk?

Over years of operation, organizations tend to accumulate a surprising range of specialized IT platforms and applications, all of which carry out vital operational tasks. Having a large number of legacy platforms leads to complexity and is expensive to maintain. Is it possible to deal with this

issue, not by re-engineering on site, but by outsourcing the whole problem?

Traditional outsourcing engagements can lock organizations into inflexible deals, which makes it hard to cope with unexpected market changes. We suggest a different approach.

The future sourcing landscape will expect vendors to be managed within a strong but flexible governance framework. Innovative contracts will enable a decisive move from performance SLAs to measurement by business outcomes. And a larger-scale transfer of assets will enable organizations to achieve permanent improvements to their balance sheets by reducing fixed costs.

The Cloud

There are conflicting definitions of 'Cloud', but at the most simplistic, it's an industrialized delivery mechanism with the potential to change the way we consume and pay for IT services. It works best for standard or commoditized services, which can then be accessed on a usage basis.

Financial Services organizations have particular issues around accountability, regulation, security and risk, and must therefore ensure that Cloud solutions accommodate those specific needs. For example, to maximize cost reductions from Cloud services, you usually need to be agnostic about where data and services are physically located. This is not always possible when dealing with tough regulatory frameworks.

As a result, Cloud-based solutions for Financial Services organizations must be carefully designed and structured. An array of options, such as community-clouds, hybrid-clouds, private-clouds and cloud-orchestration, have the potential to address data ownership and intellectual property concerns in the Financial Services marketplace, while still delivering the benefits.

Other considerations include:

- ▶ Cloud and innovation—One of our key tasks is to balance out the low-cost potential of the Cloud with the need for high quality innovation, which can only be provided by strong companies with well-funded R&D efforts.
- ▶ Support and development—Many of the issues known to relate to Software-as-a-Service also apply to Cloud services. Users need to watch out for the dangers of potential partner lock-in and also be very clear about where service support and functional development comes from.

The Cloud is not a panacea, yet it could reduce current IT and process support costs by more than half in the next five years. Despite all the difficulties, it will be a brave CIO who does not try to achieve such cost savings, especially in today's economic climate.

The Atos point of view

Through its scientific community, Atos invests heavily in original research to analyze key trends and build concepts around emerging technology, across all sectors.

This enables us to bring ideas to the market that have been thoroughly tested against the latest analytical intelligence and discussed with industry peers. We believe that the next few years are likely to see transformational change within Financial Services that, in some ways, will be as far-reaching as the ERP revolution was for the manufacturing sector. We believe that the four key game changers we have identified will be at the heart of these changes and will drive a range of new market developments.

Major changes we expect to see in the next few years include:

The extension of industrial-scale transaction engines

Banks and insurers are masters of high-performance transaction processes: much of the market is built on the ability to process massive volumes with incredibly low numbers of errors. This batch processing ability is a major industry strength, but we believe it can be developed much further.

A surprisingly large number of administrative activities and core processes remain unnecessarily labor intensive, and this situation could be improved. There is also the need to become more connected to real-time processing (rather than batch), without losing the benefits of cost-effectiveness and speed.

Large organizations are now asking why they need to own so many fixed assets, employ so many people and do so much in house. We believe this approach will change, as the technology moves to a point where industrialization is the norm.

Targeted, mass-customized services

The story for Financial Services organizations becomes especially interesting when you add together the drive towards low-cost processes with consumer technology and industrial-strength business intelligence. We believe that most Financial Services organizations need to move more boldly, and quickly, to the point where customer value is maximized, and customer loyalty strengthened, by a true 'mass customization' approach.

This has clear advantages for both providers and consumers, as it uses self-service techniques to both reduce the cost of transactions and improve customer convenience. The result? Lower costs and greater customer loyalty.

The key to getting back to a growth agenda, both in retail banking and insurance, is to make this targeted approach work properly. To do this requires real-time and low-cost processing, highly intuitive user interfaces, and the ability to add customized features within agreed limits. All this must be backed by extremely accurate targeting and business intelligence.

Although complex, this approach is achievable and is already being done now by a small number of early adopters. Now the rest of the industry needs to catch up.

Future sourcing

There is little doubt that effective use of agile outsourcing is the fastest and most effective way to transform an organization's cost base and balance sheets, while simultaneously resolving the problem of maintaining legacy IT systems. Traditional outsourcing models, however, are not fast or flexible enough to deliver the enhanced business agility that Financial Services organizations need.

Future sourcing is our term for a more collaborative approach to outsourcing. It is based on flexible partnering, a multi-vendor framework with clear governance, and it is strongly focused on business outcomes, using contractual and financial terms.

It is a simple statement of fact that the fastest way to improve cashflow and balance sheets is to outsource non-core assets, but the nature of the outsourcing model chosen is critical to ensure you don't create future issues while solving short-term concerns.

The drive for operational agility

We summarize the net effect of all these game changers in one simple expression, which is **operational agility**.

We believe that, in unpredictable and difficult economic times, you have to be agile to survive and thrive. Agile enough to reduce costs quickly without harming quality of service; agile enough to spot and exploit new opportunities, which may be significantly different from your current core business.

For Financial Services organizations, the key question is how to achieve greater agility in order to profit from the uncertainty in the market. We believe that an agile organization will have a built-in advantage when compared to a more traditional and rigid business.

Of course, this does not guarantee success. In the marketplace of the next few years, there will be a great need for sound decision-making, speed and confidence. But we believe that as the market has become more unpredictable, there is a toolkit of new technology that enables agility as never before. There are no guarantees, but we know that the future belongs to the agile, rather than to the slow and steady.

By 2014, 90% of organizations will support corporate applications on personal devices

Contact

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About Atos

Atos is an international information technology services company with annual 2011 proforma revenue of EUR 8.5 billion and 74,000 employees in 42 countries. Serving a global client base, it delivers hi-tech transactional services, consulting and technology services, systems integration and managed services. With its deep technology expertise and industry knowledge, it works with clients across the following market sectors: Manufacturing, Retail, Services; Public, Health & Transports; Financial Services; Telecoms, Media & Technology; Energy & Utilities.

Atos is focused on business technology that powers progress and helps organizations to create their firm of the future. It is the Worldwide Information Technology Partner for the Olympic and Paralympic Games and is quoted on the Paris Eurolist Market. Atos operates under the brands Atos, Atos Consulting & Technology Services, Atos Worldline and Atos Worldgrid.

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