



Mindtree

A Larsen & Toubro Group Company

The “Amazon Effect” The Power of Personalisation in Banking, Financial Services and Insurance

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How financial services organisations are realising **value from data** to deliver **better, more personalised customer service**

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INTRODUCTION

Innovation and Opportunity in the Financial Services Sector

The banking, financial services and insurance (BFSI) sector is facing unprecedented change and uncertainty.

At a time when many organisations are looking to reduce costs and gain market share, increased competition has arrived in the form of agile start-ups that are ideally placed to meet modern consumer expectations of greater personalisation, real-time service and convenient access to data and services at the touch of a button.

Established players in BFSI were already grappling with these challenges when the COVID-19 global pandemic hit. Now, financial organisations face years of economic turmoil, with uncertain revenues and liquidity.

Recovery to any sort of 'normal' may take quite some time, but this is not the moment to slam on the brakes. Now is the time to invest in building a customer-centric organisation that utilises customer data in intelligent ways, to drive efficiency, build customer loyalty and provide competitive advantage.

Mindtree works with clients to help understand how their technology infrastructure can be leveraged to meet three key challenges:

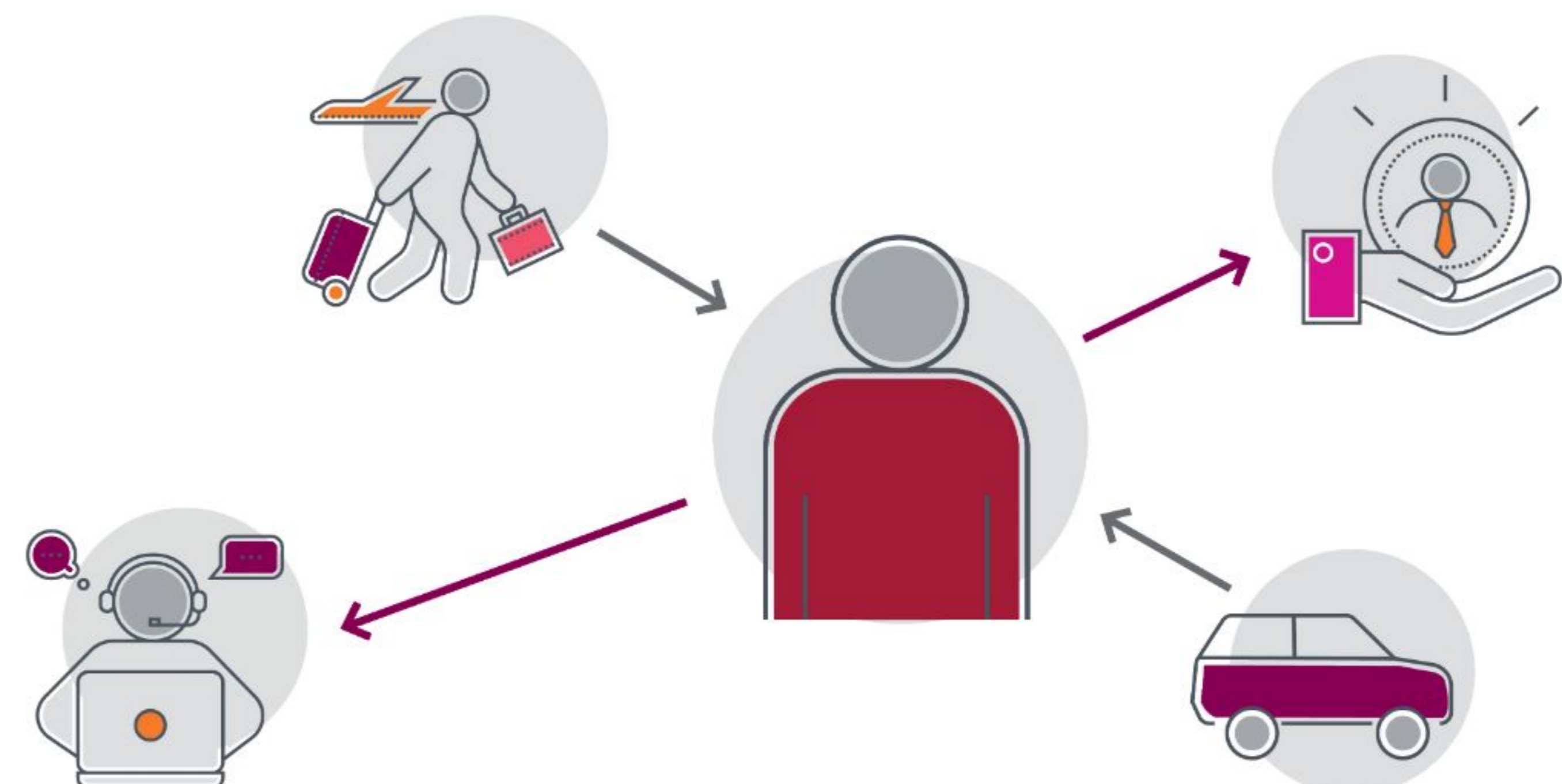
- How do we offer personalised service to customers?
- How can we use this to gain market share?
- How can we reduce costs at the same time?

During the first months of the pandemic, Mindtree interviewed senior leaders from across the BFSI sectors as to how they are transforming data architecture to deliver a customer-centric strategy. This eBook provides insight into how IT leaders from across the industry are creating these services.

What these leaders told us is that the BFSI sector must modernise and integrate sprawling IT infrastructures, to allow for better utilisation of customer data. Today it is difficult for many established players to scale resources on the fly to meet demand, whilst also reducing operational costs, and increasing the efficiency of IT processes. This mandates quick application implementation and deployment with laser-sharp focus on development to reduce infrastructure overheads. A data-driven architecture is the foundation for delivering customer-centric services and deploying cutting-edge artificial intelligence (AI) and machine-learning (ML) technologies.

BFSI industries are being reshaped by the rapid evolution of technologies such as cloud computing, AI/ML, IOT, Blockchain, and anything as a service (XaaS). The focus of these industries is shifting from selling the products that they create around their capabilities, to understanding customer segments and journeys better, architecting their organisations to create products and services that offer value to the right customer at the right point in their journey, using the right channel. This can only be enabled with the right data-driven architectures and business processes, with the scale and speed that can only be delivered by technologies such as cloud computing and AI/ML.

Early adopters report great success from this type of transformation. BFSI organisations that are able to build data-driven architecture and meet the demand for customer-centric, hyper-personalised products and services will be the first to be rewarded with greater customer retention, increased market share and better engagement.



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CHAPTER 01

Drivers of Personalised, Customer-Centric Services

It's called The Amazon Effect. The world's biggest online retailer has transformed the way that many of us expect to be treated by the companies we buy from.



Log onto Amazon and they immediately load up your search history. They can make recommendations of things you might like to buy and deliver those things the next day. They can even provide access to third-party sellers for items they don't have themselves.

Beteja Dovoao | Senior Director, BFSI Europe at Mindtree

There is huge potential for this model in banking, financial services and insurance. If financial organisations can utilise the vast amount of customer data they hold, the opportunity to create personalised or tailored services is virtually unlimited.

For example, imagine if a bank could analyse a customer's transactions to identify the right time to offer them information about mortgages, or home insurance policies. Taking the idea further, an insurance company could use geo-location data from a consumer's mobile device to offer a discount on insurance if a vehicle had not been used for an extended period of time.

Although such services may not be widespread yet, customer expectations of financial institutions are certainly heading in this direction. It's no longer seen as acceptable to complete paper forms and wait days or weeks to get a new financial or insurance product set up, which is often still the case in corporate insurance and related services.

The challenge for BFSI organisations isn't understanding the potential of personalisation. Rather, it's understanding how to identify and utilise the right customer data to deliver this type of customer-centric service. Many established players in the industry have technology platforms built over decades, with data held in silos, and little integration between different systems.

Creating personalised services like those described above requires multiple data sets to be integrated seamlessly in real-time, and new processes created to understand and act upon this data. It's an increasingly pressing challenge, not least because of growing competition from a new generation of start-ups and fintech companies. These new vendors can implement personalised data services quickly, thanks to agile technology systems created from the ground up, with customer-centricity in mind.

IT leaders face the challenge of balancing the need to develop innovative, personalised service with the pressure to reduce costs, while interest rates are plummeting, says **Gianfilippo Pandolfini, Chief Executive, BNP Paribas**.



We have to do two things at the same time. We must rethink our customer journey to deliver excellent quality services but, at the same time, we have to use as much technology as possible to reduce our cost base.

Gianfilippo Pandolfini | Chief Executive at BNP Paribas

Mindtree believes the key to meeting these challenges is intelligent IT strategy, and better use of customer data. "In order to provide a personalised service for your customers, you need to be able to reach them via the right channels, at the right time and with the right, relevant message or product that resonates with them. You can only do this if you're able to derive the right data insights from all their touchpoints, enabling you to see the entire customer journey end to end, and therefore adding value to your customer," says **Beteja Dovoao, Senior Advisor, BFSI at Mindtree**.

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CHAPTER 02

Opportunities and Best Practice in Modern Data Strategy and Architecture

The improved availability and pervasiveness of customer data creates countless opportunities for the banking and financial services world. The key opportunities revolve around improved customer experience and improved operational efficiency.

For example, an insurance company might sell a car insurance policy to a young person through their parents' policy. A data-driven architecture that allows data to be integrated from multiple silos means that the customer is recognised, even if their previous interaction was with a different part of the organisation. This means the company can use that insight to offer the customer a new feature or product at the right time, such as a short-term car insurance policy that covers their vehicle abroad, or home insurance for student accommodation.

The first step in building a data-driven architecture is to create a solid data foundation and then, using tools on top of this foundation, to enable improved processes and decision making. Key areas where a data-driven architecture can deliver value for financial services include:

Improved customer experience

Data-driven architecture can support the delivery of tailored products and services based on buyer behaviour, demographics and profiles. Additionally, strong data can be used to support predictive analytics, giving BFSI organisations insight into which customer plans to leave a fund, or when they may next need advice.

In its early stages, data integration can reduce duplication by, for example, giving customers a more seamless experience, by reducing the need to enter data multiple times. At RSA, the company has invested in app technologies that make the consumer journey faster, and simpler, aiming to emulate the seamless consumer experience of Apple or Amazon.

"You can download the RSA app from the App Store, and authenticate with Face ID. Because we have the authentication, we can populate customer data without your needing to complete it twice. We can then give you the best price and provide an electronic document for e-signature in seconds," says **David Germain, Group CIO, RSA Group**. "Those are the things we need to do to create a better experience for our customers."

Increased operational efficiency

Machine learning can be applied to enterprise data to help predict operational demand, based on historical data. For example, data might be used to analyse historical data around customer queries or requests, and support automated responses to future queries. This drives significant benefits in customer service and improved operational efficiency.

Risk mitigation by adequate control frameworks

In some cases, financial services organisations have created data-driven warning predictions that use liability analysis on exposures, prior to default. Combining AI and ML can help to detect financial crime and fraud, allowing organisations to move from rule-based algorithms to machine learning.

Adopting best practice in these organisations will allow these opportunities to be realised. One of the first steps in realising the potential of a data-driven architecture is having the right skills in place to support the transformation. This includes a strong internal team, working with specialist third party partnerships, where needed.

RBS has created a dedicated digital experience team that is charged with mapping customer architecture and experiences, says **Priyesh Ranmal, Head of Digital Experience with RBS**. "We've got a lot of work happening looking at everything from opening an account to getting a lending product. We are doing things in that way so we can find efficiencies and identify new technologies that could help us through that customer journey," he says.

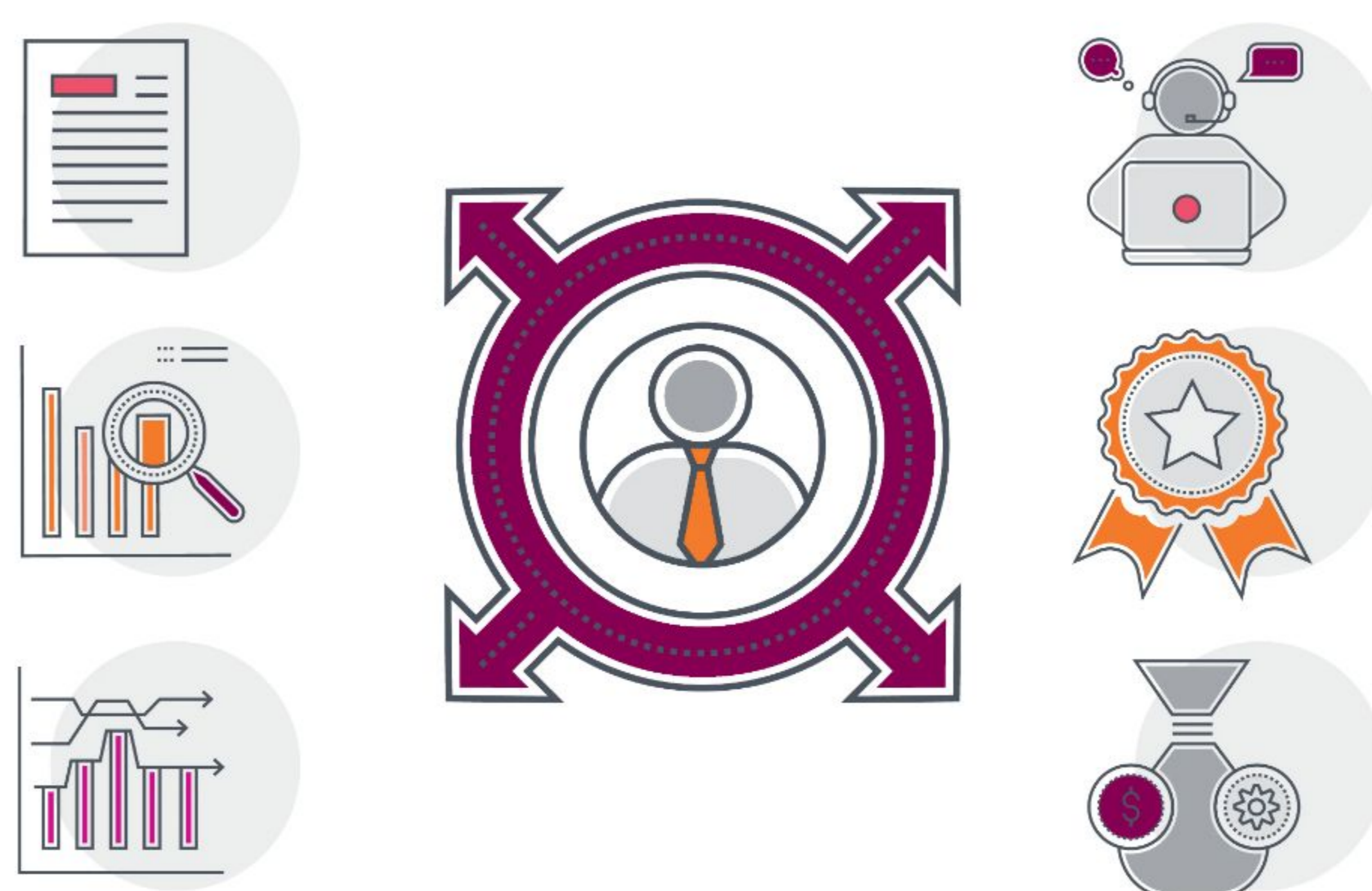
RBS is also improving integration between in-house and third-party data sources. "We are trying to move into an API way of working, creating connection points so we can integrate with organisations that provide data on our customers," says **Priyesh Ranmal**.



Having them API-enabled means we can consume third-party data very quickly and use that to service our customers. Without it, there would be a significant stumbling block, and time to market would increase.

Priyesh Ranmal | Head of Digital Experience with RBS

Working with third-party providers can improve the time to market of new offerings, but ideally banks should look at their own data assets first, says **Gerd Pircher, Chief Executive, HSBC Italy**. Gerd Pircher argues that banks shouldn't buy into the idea that they necessarily need third-party data to deliver customer-centricity. "It's really inertia holding us back because there are very few examples of incumbent banks who have shown that they are really on top of the data they have in-house and are comfortable maximising the commercial use," he says.



Instead, BFSI organisations should walk before they try to run, **Gerd Pircher advises**. This means using what you have in-house well, before considering collaborations with third-parties. "One of the key foundations that underpins that inertia is that they are simply not set up and focused around customers so they really struggle to take the data they have in-house, use, manipulate, understand and draw commercial benefit from it."

In the vast majority of institutions, using data to drive a more customer-centric strategy will involve making changes to legacy systems. Whether you are looking to modernise, replace or integrate legacy apps and systems, the transformation must be driven at board level, says **David Germain, Group CIO at RSA Group**. "It's so complex. You want to produce a better customer experience to win more business, but there are revenues associated with what you have, and systems that work today. It's essential that transformation is driven by someone who can take that broader view."

Every major BFSI organisation has tried to solve this conundrum and they all face similar challenges, adds **David Germain, Group CIO, RSA Group**.



Coming off a mainframe monolithic environment is never easy. Think about the thousands of days of effort it takes to enrich functionality. You have to figure out what technologies can improve your customer experience, fast-track products and services to market, make you more efficient within your back office and contact centres. But then you also have to look at how you simplify your heritage environment at the same time, so it complements these new technologies.

David Germain | Group CIO at RSA Group

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CHAPTER 03

Delivering a Data-Driven Architecture

According to the consulting firm, Mckinsey, a well-executed data and analytics strategy delivers 5-30% higher revenues, with a potential to reduce 10-30% of operating costs. At Mindtree, we believe an effective data strategy answers the following questions:

1

How much data do we need, and for how long?

Just because you can store every transaction doesn't mean you should. Your strategy should specify what information is collected, and how long it's needed, both for computation and regulatory compliance.

2

How are we keeping data safe and secure?

This means understanding where data can and should be stored and encrypted, and what protection needs to be applied to each layer or type of data. Are there any regulatory standards to be aware of?

3

What does governance look like?

Data governance is a key concern in the BFSI space because it's one of the pillars of corporate governance. It's imperative that you consider who owns data, and who is legally responsible for keeping it up to date, and verified.

4

What's our data integration policy?

Your data strategy must specify how data should be archived. What part of historical data needs to be archived for business intelligence and at what level of granularity? How often does the data need to be updated? How much DATA ID needs to be retained legal? All these things need to be addressed as a part of data integration strategy.

5

How will we approach data virtualisation?

Using a virtual database layer lets you retrieve and manipulate data without requiring technical details, such as how the information is formatted or located. This reduces the risk of error but can potentially introduce multiple versions of data. Your strategy should consider how these risks are mitigated.

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CHAPTER 04

The Role of Cloud in a Customer-Centric Organisation

The advent of cloud technology has allowed financial institutions to create new, customer-centric services built around siloed, on-premise data, processes and platforms.

Cloud has also provided organisations with access to an a la carte technology model for timely services and technology adoption, without the need for additional investments in internal infrastructure and personnel. This is critical in an environment where banks and financial organisations are facing increasing competitive pressures.

The banking sector in general is hesitant to move towards cloud solutions, believes **Dennis Harty, CEO of Alpha Asset Management**, who says that nobody is rushing to move to the cloud.



I do think it's wrong, I've seen a couple of firms take a different approach and actually progress with cloud solutions. But they're few and far between.

Dennis Harty | CEO at Alpha Asset Management

The BFSI sector needs far more education around cloud's potential, adds **David Germain, Group CIO, RSA Group**. This is particularly true when many insurance companies are looking for a hybrid solution that allows them to enable legacy and new technologies. "You can't go to the board and just say: I want to move to Cloud. There has to be a benefit before you spend the cheque," he says.

That said, RSA does routinely consider cloud for any new projects. "One benefit of cloud is agility in that it's quicker to build out a new application and a new construct for the business in the cloud, compared to on-premise. But you also need to understand what makes sense to be on legacy, what capability you have to run things, what support you can get from third-party boutiques. It's building out that education at the board level, through to the functional levels in the organisation management."

According to **McKinsey**, cloud-specific spending is expected to grow at more than six times the rate of general IT spending through 2020. This would indicate that the majority of an enterprises' legacy systems have either moved or are planning to be moved to the cloud.

At Mindtree, we believe that cloud is the only option for BFSI organisations to leverage in order to achieve customer-centricity and a successful, data-driven architecture. In our experience, working with financial organisations we have observed the following factors as critical to the success of cloud-based, customer-centric and personalised services:

Personalisation: Financial organisations can use cloud services to gather rich data that let them customise and personalise the customer experience. Personalisation is about giving every customer the feeling that they are the organisation's only customer. This, in turn, will yield improved customer acquisition, satisfaction and retention. Cloud-based CRM software can capture data from multiple touch points as well as social network interactions to present a unified and personalised experience across omnichannels.

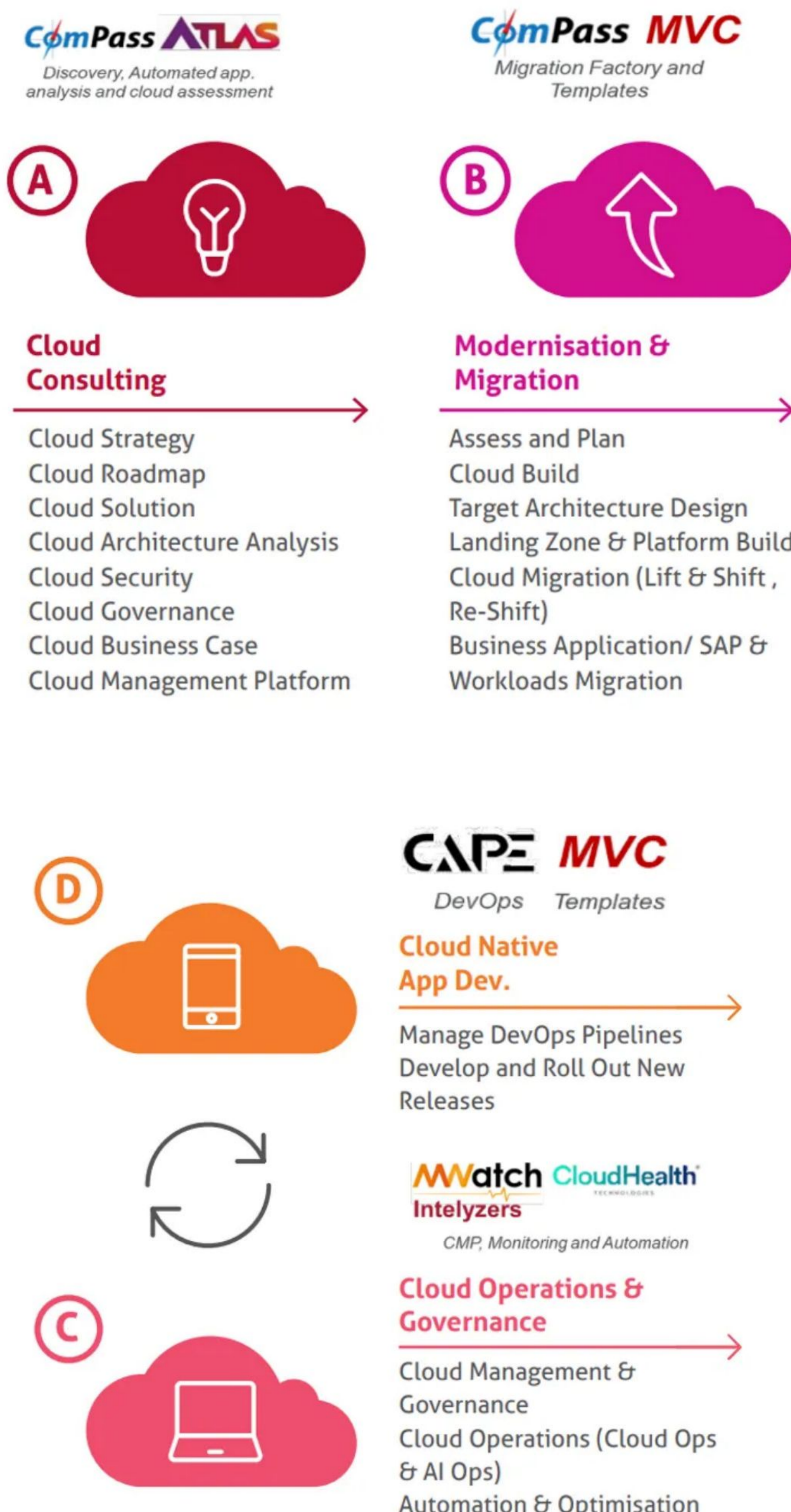
Insights as a Service: To understand customer needs better, insights can be used to target promotion and marketing campaigns and delight the customer with personalised recommendations. This means engaging digitally native clients with contextual experience driven by customer intelligence, delivered through conversational interface, optimised through cognitive automation and powered by cloud. BFSI organisations can leverage cloud services to unearth patterns which human beings are not able to spot, using these insights to refine campaigns and provide personalised banking products and services.

Customer 360-degree view: Migrating to cloud-based customer-centric operations allows financial organisations to understand their customers at an enterprise level. Data integration, consolidation and organisation are all part of making the data available for both analytical and operational needs, to enrich the understanding of the customer, thereby removing blind spots in the decisioning process and resulting in actionable insights.

Trust and Security: In the recent past we have witnessed cyber-attacks causing a threat to the entire BFSI fraternity and its customers. In some cases, security breaches involving millions of records have had a serious impact on customer loyalty. This mandated the IT services organisation to consider security as an essential component in the customer experience journey. For this reason, cloud computing security has evolved to address this issue.

At Mindtree we adopt a holistic approach, from advisory to operations to transform the bank's business and drive innovation and efficiency. The best practice we follow is the seven stages to win in the digital age with the cloud - as shown below:

Mindtree can support end-to-end cloud transformation program tailored to each stage of the journey



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CONCLUSION

A Future Roadmap for FinTech

Many companies are still struggling to get personalised services right because they don't have a good enough handle on their data strategy. The volume, complexity and variety of customer data that exists simply overwhelms too many BFSI organisations.

The experts we spoke to in creating this paper told us that data is the first step in delivering personalised service. To get data to a point where it can support the personalised service that customers expect, companies must invest time in creating a comprehensive strategy that ensures data is fit for purpose. It needs to take account of where and how data is stored, and for how long. It also needs to define standards around data retention, privacy and security.

Alongside a data strategy, now is the time to invest in cloud platforms that can manage large swathes of data while offering fast performance and secure storage. Technologies such as AI and ML can be deployed with cloud architectures to drive better personalisation and powerful interactions with customers.

While technology and strategy are critical, many companies are failing at customer centricity simply because cultural changes haven't been made. Historically, many BFSI organisations have been sales or product driven. To become customer-driven it is essential that they make the cultural and operational changes that are needed to support a customer-focused data architecture. When investing in new technology platforms or processes, it's essential never to forget the people that make personalisation feel personal.

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FEATURED PARTICIPANTS



David Germain

Group CIO, RSA Group

David is responsible for transforming both the way that IT is operated and how it interfaces with the overall business, including reshaping new ways of improving the customer experience and the business. His key strengths include responsibility for everything that underpins the smooth running of the business.



Dennis Harty

COO, Alfa Asset Management (Europe) S.A.

Dennis' domain expertise is focused on Investment Firms and the Asset Servicing Industry. He is passionate about leveraging digital toolset to build great businesses. Dennis has previously held leadership and transformation roles at Credit Suisse and JP Morgan strategy.



Priyesh Ranmal

Head of Digital Experience, RBS

Priyesh Ranmal has over 18 years of digital experience creating product strategies, implementing lean development processes, and building design strategies. He is an expert in building, managing, and mentoring multi-disciplinary design teams and product squads ranging from up to 40.



Gerd Pircher

CEO, HSBC Italy

Gerd Pircher has some 24 years of international general management experience with the HSBC Group as well as extensive knowledge of wholesale and transactional banking and financial services strategy. Gerd is perfectly placed to advise on a vast range of topics, from strategy and planning to complex turnaround management, international trade, and cross-cultural challenges.



Gianfilippo Pandolfini

CEO, Business Partner Italia ScpA

Since 2014, Gianfilippo has also taken on the role of CEO of Business Partner Italy, the new BNP Paribas company in Italy created to offer specialized services (back office, purchasing, selection-training and personnel administration, real estate services, debt collection) to all Territory BNP Paribas entity.



Beteja Dovao

Senior Director, Mindtree

With over 16 years' leadership experience across multiple service lines, industry sectors and global functions, Beteja thrives on bringing strong leadership to the table when it comes to driving strategy, complex transformation and global IT outsourcing across digital, application and infrastructure

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ACKNOWLEDGEMENTS

| | | |
|-----------------------------|--------------------------------------|---|
| Olivier Robin | Allianz | Deputy Chief Executive Officer |
| Simon Eagle | Willis Towers Watson | Senior Director |
| Simon Small | The Equitable Life Assurance Society | Chief Executive Officer |
| Ovo Gharoro | M&G Investments | Head of Investment Data Solutions |
| Libor Stodola | AXA | Chief Operations Officer, Member Of AXA Executive Board |
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| Bledi Vako | Intesa Sanpaolo | Head of Department (IT Technology Infrastructure) |
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| Mansoor Sultan | Federal Board of Revenue | Chief Information Officer |
| Hanneke Stellink | ING | Director AI Products |
| Ricardo Sanchez Pato | AXA | Director |
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