



Redefining Possibilities to Ensure Post-pandemic Readiness in Financial Services and Insurance

Surviving – and Thriving – in the Next Normal



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Contents

Executive summary	03
Digital transformation amid COVID-19 and beyond	04
Key components of post-pandemic readiness	04
Conclusion: Focus on the journey	10

Executive summary

As Financial Services and Insurance (FSI) firms formulate strategies to make their businesses resilient to COVID-19, they have realized the importance of significantly increasing their digital capabilities to emerge stronger in the post-pandemic scenario. Enterprises have accelerated their investments in modernization initiatives, particularly across the three aspects listed below, to catalyze their long-term digital transformation journeys:

- **Sales and distribution models:** Technology has acted as a critical enabler in modernizing the sales and distribution networks of FSI firms and facilitating smooth, simplified, and accelerated customer journeys. The current crisis has accelerated this trend and is compelling enterprises to evolve their sales and distribution models to conduct business remotely, while providing a seamless and frictionless customer experience
- **Funding models:** In the light of the pandemic, FSI firms are trying to balance their increasing technology investments with fiscal prudence. Developing sustainable funding models that de-risk investments and conserve enterprises' cash position will be key to enabling accelerated digital transformation journeys
- **Talent and workforce management:** FSI enterprises are rethinking their existing talent and workforce management models to drive productivity in a remote work environment and explore possible return-to-work strategies. The pandemic has provided these firms an opportunity to introduce agile ways of working that will last beyond the current crisis

To manage their digital transformation, FSI firms will have to take stock of their digital journeys and carve out a transformation strategy considering both near- and long-term implications and their specific business objectives. This will enable these enterprises to offset the pandemic's impact and thrive in the next normal.

Digital transformation amid COVID-19 and beyond

The pandemic outbreak had had a widespread and unprecedented impact on FSI businesses. These enterprises are facing challenges in meeting their financial targets owing to dampened consumer demand and supply chain disruptions. While governments globally have announced fiscal and monetary policy responses, there is limited clarity on how they will stabilize the markets. The uncertainty around the pandemic has created an economic storm, which will last for the foreseeable future.

FSI firms are realizing the importance of preparing for the long term to survive and thrive in the post-pandemic scenario. They are thus exploring contextualized digital transformation models to lay the foundations for future success, as the pandemic has revealed the true value of technology modernization. Leading global bank Citibank has expanded its digital banking platform across 37 countries in five languages in almost no time. Sun Life US has expanded the use of e-signature technology to enable quick bind of its insurance policies. The firm is also using digital tools and processes to assist its advisors on remote advisory, sales, and claims payments for clients.

FSI firms are having to fast rethink their sales structures, core workflows, and acquisition strategies to drive sales and ensure great online consumer experiences. This is accompanied by efforts to improve organizational agility and develop innovative funding models to drive digital transformation programs, which will play a critical role in ensuring FSI firms' post-pandemic readiness.

Key considerations for post-pandemic readiness

The pandemic has accelerated digital transformation across FSI firms, and we believe that this change is – and will be – centered around three aspects:

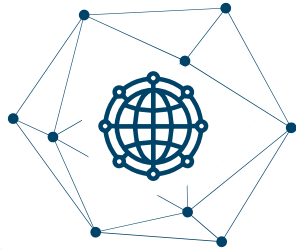
- **Sales and distribution models:** envisioning customer/merchant acquisitions in a remote model, moving to zero-touch customer transactions, and reimagining processes and technologies to reduce friction and enable a seamless customer experience
- **Funding models:** conserving cash and creating a sustainable funding model for accelerated technology transformation/modernization
- **Talent and workforce management:** exploring return-to-work scenarios, ensuring productivity, and introducing agility in work management

Exhibit 1 illustrates the post-pandemic readiness framework, which is based on these three aspects.

EXHIBIT 1

Key considerations for post-pandemic readiness

Source: Everest Group (2020)



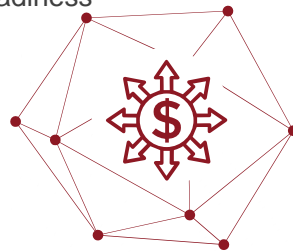
Sales and distribution models

Questions to consider:

How do you envision customer/merchant acquisition in a remote model?

Can we move to zero-touch transactions; what would they look like?

How do you accelerate technology and process re-imagination reduce friction, and enable seamless customer experience?



Funding models

Question to consider:

There is an increasing need to bend the cost curve to allow IT to find creative, sustainable funding. How are you going about it?

How do you think of technology transformation/modernization after the pandemic?



Talent and workforce management

Questions to consider:

Are you ready to adopt distributed Agile methodologies? If you have already adopted them, what has been your experience?

How will M&A and workforce integration look like after the pandemic?

How do we measure/ensure productivity in a remote working model?

We will examine these aspects in the following sections and also look at examples from leading FSI firms to understand them in greater detail.

Sales and distribution models

The pandemic has made FSI firms realize the need to evolve their sales and distribution models in a distributed and remote business environment. For example, as new credit card sales have taken a hit and customer acquisition and engagement models have fundamentally changed due to social distancing, companies are increasingly leveraging digital tools and solutions to secure their businesses remotely and deliver compelling customer experiences. Various technology interventions are helping enable zero-touch transactions and digitalize distribution networks to provide seamless sales experiences.

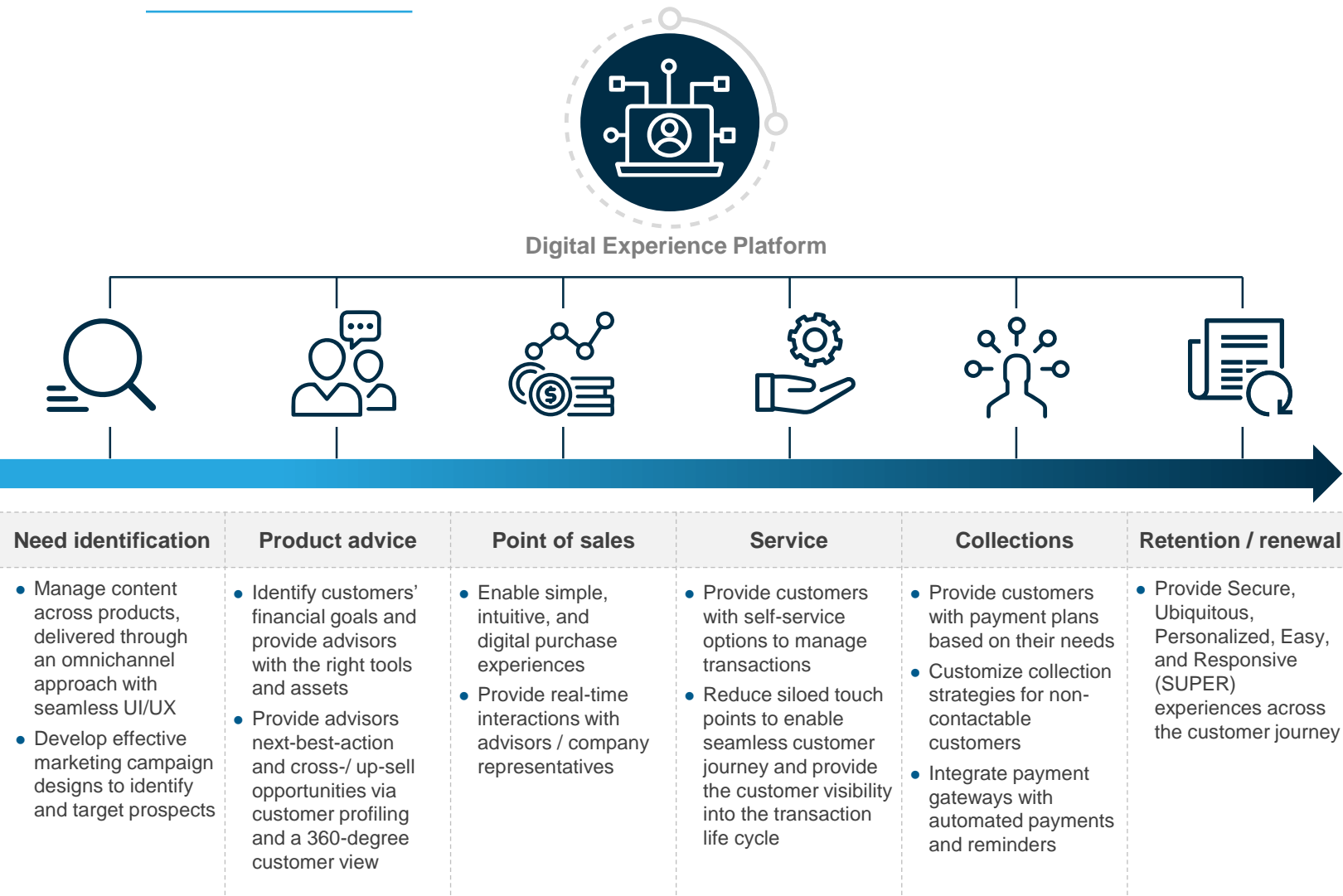
We recommend that FSI firms embrace a platforms-first mindset to remove channel siloes and integrate digital experiences across the customer journey to provide wholesome and consistent experiences. The adoption of digital experience platforms will reduce friction and enable real-time, hyper-personalized, and intelligent interactions across the customer life cycle. In Exhibit 2, we highlight the benefits of digital experience platforms for FSI enterprises across different stages of the customer journey.

72% of insurers want to equip their agents with digital tools to enable remote advisory and business management

EXHIBIT 2

Benefits of adopting digital experience platforms for FSI enterprises

Source: Everest Group (2020)



The evolution of FSI enterprises' sales and distribution models via digital experience platforms will require increased investments on two fronts:

- Digitalizing sales and distribution networks:** FSI firms need to activate direct-to-consumer sales models and equip their sales force with digital tools and solutions to serve their consumers remotely. Further, they need to identify the right channel strategy for their financial products and map each financial product against its primary distribution channel. Driving an omni-channel experience for all products simultaneously, enabling targeted offers, increasing remote advisory services on consumers' financial goals and products, and driving customer engagement will be vital to accelerate sales growth after the pandemic. And some firms are already experiencing a push to this effect. iPipeline, a leading US-based life and annuity insurance distribution technology provider, experienced a 217% increase in the usage of its digital electronic policy delivery systems in April 2020 as pandemic-related lockdown orders blocked face-to-face insurer meetings. Another leading life insurer in the US is using technology to allow more virtual insurance sales applications through tele-interviews.

While digital is here to stay, FSI firms need to be mindful that an exclusive focus on it can result in tools fatigue among sales representatives. Hence, embracing the right collaborative platform solutions while avoiding tools fatigue will be critical to navigating through the pandemic and thriving in the next normal.

- **Enabling zero-touch transactions:** The pandemic is driving FSI companies to evaluate and make consumer touchpoints in the sales journey more digital and data-driven to enable compelling consumer experiences. This is also the right moment for FSI firms to identify straight-through processing opportunities and enable zero-touch transactions. Some insurers have already implemented touchless claims, while some financial services firms have expedited payments processing with zero manual interventions. Mastercard, for instance, has partnered with Allstate to create an instant payment method called QuickCard Pay, which provides its customers a fast and simplified claims experience.

Streamlining and automating critical workflows, while eliminating manual touchpoints to facilitate consumer convenience, will enable FSI firms to gain consumer mindshare and drive growth.

More than **50%** of financial institutions are constantly looking for ways to improve the efficiency of their payments business using straight-through processing solutions

Funding models

FSI firms are exploring recovery strategies to bounce back to pre-crisis level growth. While they continue to invest in technology modernization, remaining fiscally prudent is equally important. The need to examine current spends and explore innovative funding models to de-risk investments and conserve capital during these times cannot be overemphasized.

At present, FSI organizations' digital transformation budgets are CapEx intensive, with limited OpEx funding. Additionally, core operations constitute a large share of the digital transformation spend. Going forward, we expect FSI firms to rethink the CapEx versus OpEx share in project funding and drive aggressive cost takeouts in operations to conserve operating capital. Some FSI firms already started doing so before the COVID-19 outbreak, with insurers partnering with service providers to enhance digital capabilities and simplify policy servicing using integrated modern platforms via as-a-service pricing constructs.

This trend is likely to accelerate in the future and drive more discussions on innovative funding models for digital transformation projects, which will enable firms to contain costs and preserve capital. A few such funding models are illustrated in Exhibit 3.

EXHIBIT 3**Funding mechanisms to de-risk investments in uncertain times**

Source: Everest Group (2020)

**Milestone-based funding****De-risk investments in new projects**

Fund projects in an agile manner to only commit to increasing understanding of the effort and/or removing the next level or risk from the effort

Self-funding projects**Minimize initial investments and link subsequent investments to returns**

Fund an initial set of projects that have a clear return. Use some of the savings to fund future efforts

Service provider-funded initiatives**Minimize/eliminate initial investments and align FSI firm and service provider interests**

Build project costs into the service provider contract to lock in minimum benefit from the investment

For these measures to succeed, organizations must work in close collaboration with their service providers and adopt an ecosystem approach. FSI firms need to adopt a best-of-breed approach to drive transformation, coupled with risk-sharing approaches with their partners to bend the cost curve. Service providers and technology vendors need to work together to orchestrate this transformation for clients.

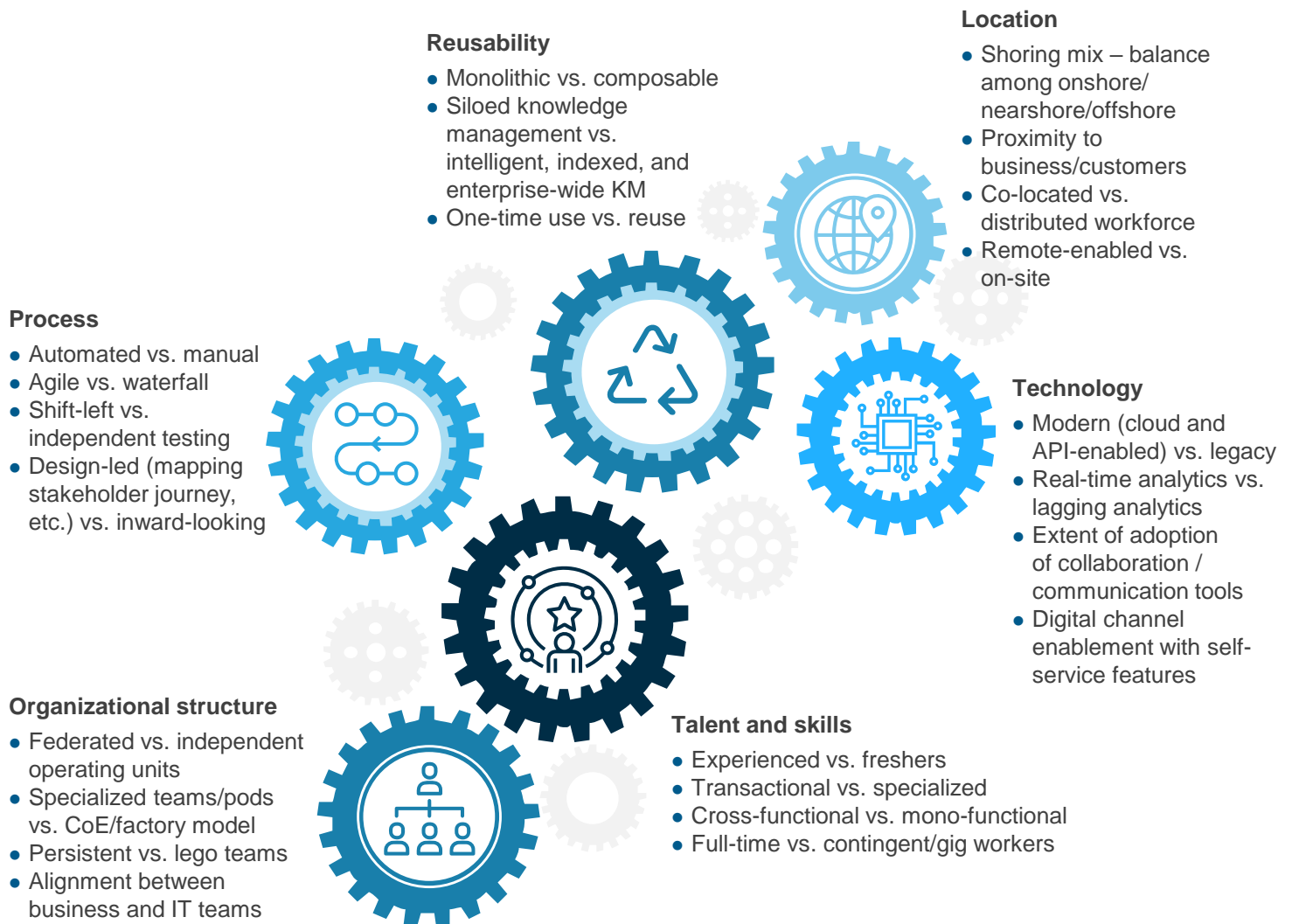
Talent and workforce management

FSI firms face a pivotal moment, as they focus on driving workforce productivity in a remote working model and explore possible return-to-work scenarios for the future. In a sustained remote working model, FSI firms will need to leverage the right levers to drive productivity improvements. In Exhibit 4, we list the various right-fit productivity lever options available to FSI organizations. Firms should choose these based on the scope, customer, business, and organizational context.

Almost **75%** of organizations are putting significant effort into reviewing workforce flexibility options to help them prepare for the next normal

EXHIBIT 4**Right-fit productivity lever options for FSI firms**

Source: Everest Group (2020)



In addition to the increased focus on productivity, return-to-work is another pressing issue for FSI firms. The return-to-work strategy will depend on the approach toward factors such as work-from-home effectiveness, real estate strategy, technology maturity, and employee demographics. A leading UK-based bank, for example, is evaluating its real estate strategy as it plans to bring its employees back to work. The crisis has given the bank an opportunity to re-evaluate its real-estate footprint in expensive financial districts and distribute these workspaces closer to employees' homes to reduce the travel time for them.

The decision on return-to-work will also be influenced by workforce demands and evolving priorities, with older workforce preferring a return to the workplace sooner, while the younger workforce asking for more choice and flexibility. Overall, we will likely witness a staggered return-to-work, with variations across geographies, roles, and workforce generations.

FSI firms can also use this opportunity to introduce new ways of working that last beyond the current crisis. Embracing distributed Agile methodologies can enable technology teams to be more productive and drive strategic transformation initiatives at speed and scale. Enabling such methodologies will involve reshaping the organizational culture, the talent operating model, and workforce strategy. And to successfully scale them up, organizations would have to ensure employee engagement in a virtual model, drive an entrepreneurial mindset across the organization, enable flexibility in delivery models, adopt outcome-oriented approaches with rapid iterations, develop truly connected teams with cross-functional collaboration, and blur the boundaries across locations.

Realizing the advantages of distributed Agile methodologies, some financial services firms embarked on their Agile transformation journeys well before the crisis. Spain-based BBVA bank incorporated Agile methodologies into its daily business, transforming the organization and working of its 33,000 employee-strong central services division. The bank gave up functional silos to form scrum teams and delivery factories to tackle new business projects, which were critical for the bank's transformation. This enabled the bank to deliver value-added offerings, while continuing to respond to business-as-usual needs.

To survive and thrive in the next normal, FSI firms will need to monitor and drive workforce productivity improvements in a remote working environment, create return-to-work strategies that balance enterprise requirements with workforce demands, and develop context-specific agile playbooks based on organizational attributes. These aspects will have profound implications on FSI organizations' overall talent and workforce management strategies.

50% of enterprises are putting significant effort into evaluating more balanced / different locations strategies

Conclusion: Focus on the journey

We strongly believe that the COVID-19 crisis provides organizations an opportunity to accelerate their digital transformation journeys and sharply focus on sustainable and resilient growth. The post-pandemic scenario will demand new stakeholder journeys and an enterprise operating model that is agile, distributed, and outcome driven. Regulators worldwide have shown significant flexibility and agility in responding to the crisis and have significantly eased the compliance burden on FSI firms impacted by the crisis. In the post-pandemic scenario, regulatory initiatives will provide an added impetus to accelerate data, IT infrastructure, and platform modernization.




To fund their transformation, FSI firms will need to adopt innovative funding models that both help them meet their cost targets and accelerate their transformation journeys. Initiatives that offer the best value for money and positively impact customer experience should be prioritized. FSI firms that do not have additional internal resources to staff these initiatives will need to tap into their partner ecosystem.

One thing is clear: All FSI organizations will need to build a resilient global workforce management strategy that supports these transformation changes and improves employee engagement and experience. Investments to improve employee productivity in the new operating model of distributed teams will be a top priority. Exhibit 5 showcases the distinct changes across the three components of post-pandemic readiness – sales and distribution models, funding models, and talent and workforce management – for a pre-COVID-19 versus a post-COVID-19 business scenario

EXHIBIT 5

Pre-COVID-19 vs. post-COVID-19 scenarios

Source: Everest Group (2020)

Pre-COVID-19 / current view		Post-pandemic / the next normal
<p>Focus on traditional and tech-enabled face-to-face sales model for consumers, with preference for relationship-based advice</p>	 <p>Sales and distribution models</p>	<p>Expedited adoption of digital experience platforms that catalyze data-driven business models to drive sales</p>
<p>Technology investments viewed as a cost element, with incremental efficiency in steady state</p>	 <p>Funding model</p>	<p>Breakthrough value creation with partners to focus on creative, sustainable, and self-funded models for transformation; accelerated core modernization efforts</p>
<p>Siloed teams that are process oriented; remote work viewed as a flexibility that is good-to-have</p>	 <p>Talent and workforce management</p>	<p>Truly connected teams that are outcome oriented; heightened focus on employee productivity and experience for distributed agile teams</p>

To thrive in the post-pandemic business landscape, FSI firms will have to develop a digital transformation strategy with rapid reorganization, considering not only near-term implications, but also their long-term business philosophies. Such a strategy will be key to achieving operational resiliency in the short term and bending the cost curve and meeting strategic business objectives in the medium-long term.



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