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**CSC**  
WORLD

# ILLUMINATING THE FUTURE

## Financial Services



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# ILLUMINATING THE FUTURE

A person wearing a white, textured sweater is shown from the side, pointing their right index finger towards the sky. Another hand, reaching in from the right, has its index finger pointing towards the first hand's finger, creating a sense of connection or shared vision. The background is a bright blue sky filled with soft, white clouds.

During half a century of supporting the world's leading organizations through the use of innovative technology, we've amassed some of the most knowledgeable and proven business leadership in key vertical industries.

Standing at the forefront of their respective industries, each leader strives to offer valuable insight into practices that your business should follow for even greater success.

*CSC World* has gathered their informed viewpoints on topics ranging from increasingly collaborative and transparent business-IT organizational relationships; consumer-driven innovation; and "extreme data"; to Green IT and the economy's impact on technology. These leaders also present the biggest IT challenges facing their six industries:

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# Financial Services

by Ray August

**A seismic shift is jolting the financial services industry. While global markets are under their greatest stress in 50 years, evolving technologies and generational changes are affording new opportunities. Now is the time to explore innovative customer-centric solutions that are highly networked and environmentally conscious.**



## **The transformative power of consumers**

Speed and ease of doing business are major differentiators for financial services companies. A fraction of a second's delay between computer systems in New York and Tokyo can cost traders millions of dollars in arbitrage. An insurance agent's ability to quote a policy on the spot can make or break a sale. For years, financial services firms have focused on automating processes and pushing technology out to the point of sale, whether it's a branch office, call center or Web site.

The latest generation of smart-phone technology is opening up a profoundly new channel that's poised to transform consumer expectations. As consumers begin making payments on handheld touch screens instead of using cash, cards or checks, financial services firms will be under tremendous pressure to serve customers across multiple channels. Companies that do the best job of enabling these transactions stand to gain a competitive advantage.

Financial institutions will also face increasingly multigenerational customer and employee populations. From teens and Generation Yers to Baby Boomers and octogenarians, everyone will want to interact with financial institutions on their own terms, doing business wherever, whenever and however they please. The ability to deliver on these requirements will be key to customer and employee retention.

Financial services companies need to leverage Web 2.0 — wikis, blogs, instant messaging and location awareness — to listen to, talk with and energize their stakeholders. Consumers are already chatting



about the strengths and weaknesses of financial institutions in blogs and online affinity groups. By understanding what they are saying rather than relying exclusively on data, firms can bring new insights to the design of customer-centric solutions. These collaborative tools will also play an expanding role in educating customers and prospects, providing testimonials and reinforcing financial services brands in an increasingly competitive marketplace. To be truly effective, however, these tools must be embedded in core financial services processes.

## **New client collaboration emerges**

At CSC, we have extended collaboration with our clients by creating the first

business-to-business social networking site for the insurance industry. A personalized, 24x7 Internet site, WikonnecT enables our property and casualty insurance clients to interact around our business solutions. More than 4,000 insurance professionals and technologists are now accessing our message boards, blogs, polls and announcements about technology updates. They can rate and provide feedback on CSC solutions, prioritize improvements and interact directly with CSC developers — in addition to other clients using the same solutions. WikonnecT fosters innovative thinking and extends knowledge across hundreds of insurance companies and thousands of subject matter experts worldwide.

### Green IT grows

Businesses are finding that lowering costs and supporting Green IT go hand in hand: At CSC, we've moved beyond virtualization of servers to the desktop. By replacing desktop PCs with ultra-thin client devices in our banking and insurance business process outsourcing (BPO) operations, our BPO staff can access applications just as they could on PCs — but no data or software resides on the desktop. These thin-client devices enhance security, and they also eliminate a significant amount of waste. Most PC users, for example, only need about 20 percent of their machines' computing capacity. In a virtual desktop environment, there is no waste; all computing capacity is centralized and apportioned as needed.

Virtualization helps financial services firms support more desktops with fewer resources. The reduction in power consumption — from 110 watts for a PC to four watts for a thin-client device — saves money and nonrenewable energy resources. Even the manufacturing process for PCs generates a significant amount of hazardous and nonhazardous waste. And with only a three- to five-year lifespan, millions of PCs are sent to public landfills annually. For financial services companies concerned about both “doing well” and “doing good,” virtualization can be an effective strategy.

### 'Perfect storm' of technology change

The financial services industry is on the brink of the next major technology inflection point, driven by the confluence of several key trends:

- Sustained price-performance improvements and near commoditization of networks, compute power and storage — cheaper, faster and readily available infrastructure
- Maturity and increasing adoption of all forms of service orientation
- Improvements in software integration and configurability

- Increasingly pervasive broadband wireless access, combined with powerful end-user devices
- Proliferation of data and new media types
- Changing patterns of communication and social interaction

Combined, this “perfect storm” of advancements and innovations is poised to fundamentally change the rules of the game for both consumers and providers of enterprise IT. Alternative business and delivery models, such as Software-as-a-Service and cloud computing, are poised to disrupt the way IT capabilities are provided and consumed. Search engine companies and online booksellers are rapidly morphing into IT service provider powerhouses. How IT capabilities and services are obtained, and from whom, is changing. Multisourcing, and the associated operational and governance challenges, will become the new norm.

And it's not just IT that will be affected. New competitors will crop up in financial services, unencumbered by legacy investments and able to quickly scale up data centers and applications with world sourcing alternatives. These new entrants will target the most profitable market segments with highly specialized offerings, sidestepping traditional entry barriers.

### Responding to the immediate economic conditions

As CSC turns 50, the financial services industry is bracing for higher levels of transparency and increased government regulation. With consumer and government confidence shaken, many firms are seeking to regain trust. Investments are still being made to better understand what customers value and how to deliver a distinctive customer experience. Industry consolidation, whether through planned acquisition or forced merger, is driving business transformation initiatives and platform consolidation, to optimize the applications and infrastructure environment.



We're seeing a short-term shift away from capital spending to cost-reduction initiatives and a renewed focus on operational efficiency and risk management, with power in financial services firms shifting from the front to the back office. Uptick in demand for all types of sourcing — business process, applications and infrastructure — now includes more of the financial services value chain, as firms rethink their core vs. non-core businesses. Last year, two of the world's largest banks selected a mutual third party to manage ACH electronic debit processing — something once viewed as being the very core of their banking operations. The ability to leverage trusted partners to deliver commoditized services is key to economic survival in the current environment.

The single biggest IT challenge for financial institutions over the next five years is successfully navigating the changing landscape of technology products, vendors, partners and providers — making the right choices at the right time, in light of changing opportunities and risks, to deliver customer-centric solutions.

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## **About CSC**

*The mission of CSC is to be a global leader in providing technology enabled business solutions and services.*

*With the broadest range of capabilities, CSC offers clients the solutions they need to manage complexity, focus on core businesses, collaborate with partners and clients, and improve operations.*

*CSC makes a special point of understanding its clients and provides experts with real-world experience to work with them. CSC is vendor-independent, delivering solutions that best meet each client's unique requirements.*

*For more than 50 years, clients in industries and governments worldwide have trusted CSC with their business process and information systems outsourcing, systems integration and consulting needs.*

*The company trades on the New York Stock Exchange under the symbol "CSC."*

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