

Living and Wellbeing Post COVID-19: Opportunities for Financial Services

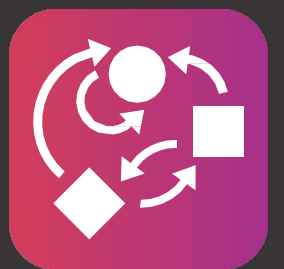
Banking, Financial Services and Insurance



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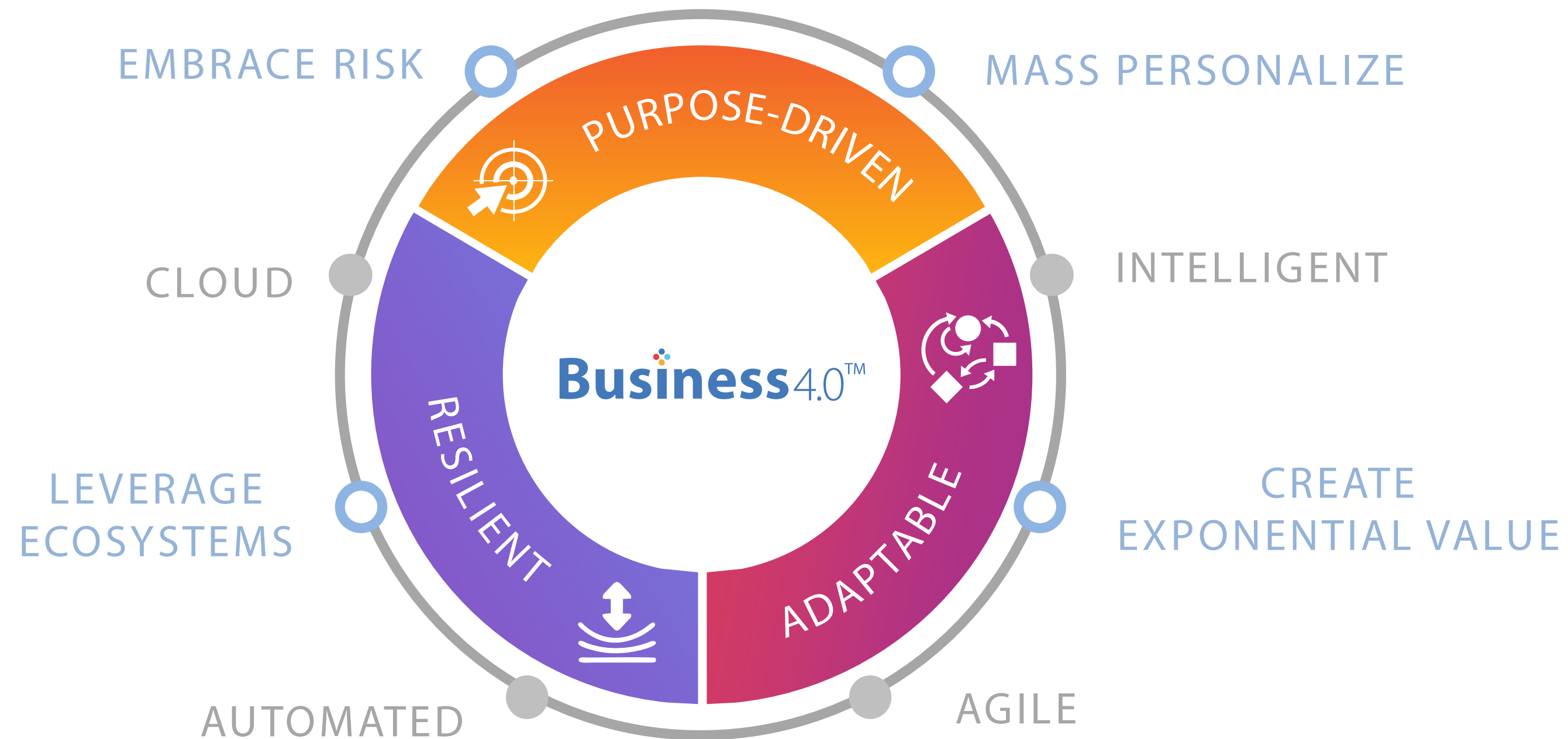


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About the Author

Shantanu Talukdar

Shantanu Talukdar is an innovation partner in TCS' Banking, Financial Services and Insurance (BFSI) business unit based in Amsterdam. With expertise in platform business and beyond banking business models leveraging technologies like artificial intelligence, internet of things, and blockchain, Talukdar supports TCS' leading BFS clients across Europe in digital transformation initiatives. He drives partnerships with leading organizations from idea conceptualization to execution and helps accelerate the pace of innovation by introducing TCS best practices. Talukdar also mentors startups as part of corporate accelerator programs, Startupbootcamp Amsterdam, and TEDx Amsterdam. He holds an MBA degree in telecom and marketing management from BITM, Pune, India.

Abstract

In an attempt to broaden the sphere of their influence beyond financial activities, banks and insurers are exploring roles that go beyond mere financial touch points in their consumers' lives. The COVID-19 crisis has shaken up the world like never before and is redefining the ways in which banking, financial services, and insurance (BFSI) firms can engage with customers.

COVID-19 has undoubtedly taken a huge toll by unleashing a humanitarian crisis and economic upheaval across the globe. However, just like every other crisis, this one also has a few opportunities to offer. It is driving BFSI firms to deepen customer engagement and create meaningful, purpose-driven relationships that go beyond ensuring financial wellbeing. This white paper discusses the new roles that firms can play in the post pandemic world and emerge stronger from the crisis.



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A Paradigm Shift: Living and Wellbeing Oriented Business Models

The COVID-19 pandemic will have a lasting effect on how organizations and people operate. Increased focus on life and wellbeing will change people's priorities and consequently, consumer behavior. BFSI firms have traditionally supported customers in achieving financial wellbeing goals. However, in our view, this crisis offers firms an opportunity to broaden their horizons and transform into something more than a financial services partner by helping customers achieve their life and wellbeing goals as well.

To bring about this shift, banks and insurers must explore and identify strategic areas where they can participate in customers' lives. In addition, they will need to determine the exact role they will play and bring together all relevant stakeholders to create an ecosystem that holistically caters to customers' requirements. The broader role that financial firms can play can be viewed from four dimensions – service enabler, aggregator, technology provider, and disruptor (see Figure 1).

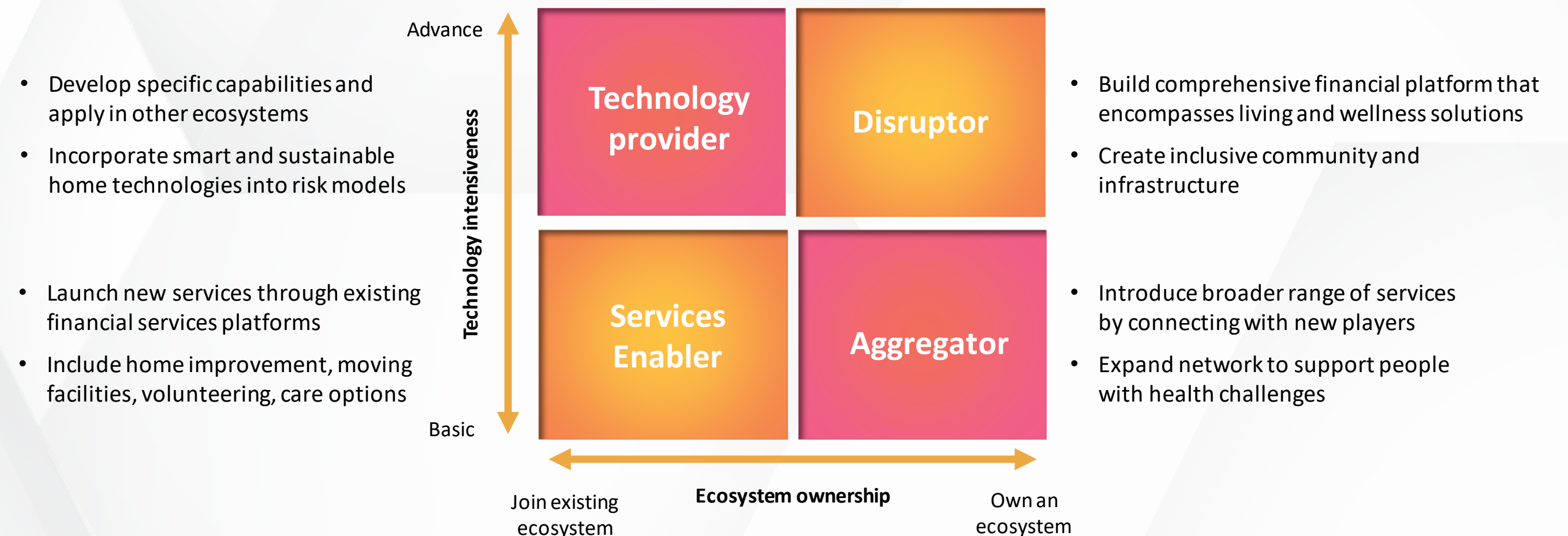


Figure 1: Role of Financial Institutions in the Living and Wellbeing Space

Apart from external positioning, BFSI firms will also need to build a strong digital core – the cornerstone of leveraging wider ecosystems – to enable hyper-personalization at scale and explore new opportunities for greater customer value.

For instance, take home buying – the journey starts with property search followed by availing a mortgage loan and ends with the customer living in the home and experiencing satisfaction and wellbeing. Financial institutions currently play a predominant role in the first two steps – property search and financing. While the ongoing pandemic will affect the demand for housing, people's need for housing will remain constant. Social distancing norms are likely to continue into the medium term and impose restrictions on customers' ability to view properties, check out the neighborhood, or determine if the community suits their requirements. These constraints will significantly alter customer expectations, offering banks an opportunity to step in and address their concerns. By stitching together all the elements of the home buying process, financial institutions can go beyond providing mere financial support. There are many more use cases that banks can consider (see Table 1).

Banks and insurers must expand their sphere of influence beyond finance and transform into life and wellbeing partners to their customers.





	 Property search (finding)	 Financing/mortgage (buying)	 Living (making it your own)	 Wellbeing (cherishing)
Consumer behavior	<ul style="list-style-type: none"> Digital and autonomous property visit 	<ul style="list-style-type: none"> Asset sharing platform linked with mortgage installments 	<ul style="list-style-type: none"> Creating a healthy, comfortable work environment at home Online purchase Self home improvements 	<ul style="list-style-type: none"> Express creative expressions Exercise regime at home Pull out the best out of me A place to de-stress
Integrating with community building	<ul style="list-style-type: none"> Heat map depicting amenities and vulnerabilities of a property or area Intuitive building, neighborhood, and community visualization 	<ul style="list-style-type: none"> Opportunity to shift toward sustainable economic recovery People driven economies Solidarity vouchers to connect consumers with retailers 	<ul style="list-style-type: none"> Inclusive community and infrastructure Closer relationship with neighbors Encourage socializing/bonding between solo residents 	<ul style="list-style-type: none"> Assisted support for isolated and elderly people Volunteering and care options Solidarity vouchers to support local businesses
COVID-specific interventions	<ul style="list-style-type: none"> Physical distancing Locating vulnerable communities Govt. data to check COVID related aspects 	<ul style="list-style-type: none"> Promote 'social distancing' in complex B2B purchase options Weave climate change options into pandemic recovery phase 	<ul style="list-style-type: none"> Isolation and self quarantine Travel restrictions 	<ul style="list-style-type: none"> Checks and contact tracing Contact clustering Restore citizen trust
Expected number of exchanges/transactions	Low to moderate	Low to moderate	Moderate to high	High to very high
Technology enablers	<ul style="list-style-type: none"> Augmented and virtual reality for remote home viewing Smart cameras for real time viewing 	<ul style="list-style-type: none"> Simplified process and straight-through processing (STP) Self service for users Automated decisioning process Property technologies 	<ul style="list-style-type: none"> Smart locking system for couriers and deliveries Augmented reality based home decor 	<ul style="list-style-type: none"> Remote care platform Gait and posture monitoring Motion sensing, wearables, and gamification technologies

Table 1: Holistic View of Possible Interventions by Financial Services Organizations

Participating in an ecosystem that brings together varied stakeholders will make it easier for banks and insurers to integrate with their customers' lives and play a role in community building as well. For instance, HEMA, a large retailer in The Netherlands, has tied up with Achmea, an insurance company, to provide a reasonably priced social alarm system – Homies – to increase customer security. Social connect too has improved – 40% users say that contact with neighbors has grown after using this system.¹ Playing a broader role in societal and economic recovery in the post pandemic world too will require banks and insurers to partner with different stakeholders and build new ecosystems or join existing ones to deliver higher value-adding, customer-centric offerings backed by new technologies.

¹ Achmea, HEMA and Achmea offer social alarm system Homies, July 2019, Accessed June 2020, <https://news.achmea.nl/hema-and-achmea-offer-social-alarm-system-homies/>

Ecosystems: Growth Enablers in the Post COVID-19 Phase

In the post COVID era, new customer needs will emerge. The four dimensions – technology provider, disruptor, service enabler, and aggregator – will help BFSI firms to obtain a portfolio view of areas where they can participate by designing innovative offerings to meet new needs. Given this is a new area for firms, the four dimensions will help them decide the role they want to play and whether they want to build a new ecosystem or join an existing one.

Service enabler

This is a natural role that BFSI firms can play by introducing new, value-adding services through the existing channel and ecosystem. Several mortgage lenders have started adding home improvement and relocation services to their existing channels. For instance, in the context of the home-buying scenario, COVID-specific interventions such as remote home viewing options, digital connect with consumers, and virtual discussion with property owners and more can be enabled by partnering with the right technology providers.

Case in point

- AG Insurance has introduced Phil at Home in Belgium, a service that brings together innovative services and technologies to help the elderly lead independent lives. With this service, AG aims to play an active role in the lives of its customers.²
- ING Belgium plans to launch a digital subscription manager to enable its customers to have a clear view of all their active and dormant subscriptions. It will allow customers to request ING to cancel unwanted subscriptions without any charge. The service is expected to save over €15 million for ING customers by early 2024.³



² AG, With Phil at Home, AG breaks the boundaries of traditional insurance, Oct 2018, Accessed June 2020, <https://newsroom.aginsurance.be/met-phil-at-home-doorbreekt-ag-de-grenzen-van-de-klasseke-verzekering/>

³ ING, Exclusive: ING is the first bank in Belgium to launch a digital subscription manager, June 2020, Accessed June 2020, <https://newsroom.ing.be/exclusive-ing-is-the-first-bank-in-belgium-to-launch-a-digital-subscription-manager>

Aggregator

By aggregating new players into the ecosystem, banks and insurers can create compelling services in the living and wellbeing space. In the smart home market for instance, firms can create an ecosystem comprising voice control device makers, smart hub providers, as well as sensor, camera, alarm, and other smart appliance providers. One of the challenges here is that the smart home market is fragmented, resulting in interoperability issues among devices. This creates an opportunity to provide an aggregated solution to users – a single digital platform integrating different smart home devices will make adoption easier besides enabling BFSI firms to enter the living and wellness space. New services can be bundled either with the mortgage advisory service that banks provide or integrated into the insurance offering. The economics is the key here, especially as we expect the adoption of smart home devices to increase in the post COVID phase.

Case in point

- We are working with a leading Dutch financial institution to assess human behavior pertaining to smart home technologies. The bank is trying to determine if smart home technologies can make customers' lives more comfortable.⁴ Behavioral insights from connected devices used by customers will help define new business models by creating an ecosystem of financial services organizations, insurance companies, and smart home device makers.
- Belgium's Belfius Bank has launched Jaimy, which aggregates home improvement services from different providers on a single platform. The platform connects homeowners with professionals to carry out renovation and redecoration projects.⁵

⁴ DigitalDirections, How a bank can use tech to build its business, benefit customers and help the planet, Oct 2019, June 2020, <https://digitaldirections.com/how-a-bank-can-use-tech-to-build-its-business-benefit-customers-and-help-the-planet/>

⁵ Belfius, What if your renovation projects became child's play? Accessed June 2020, <https://www.belfius.be/retail/nl/producten/lenen/woning/jaimy/index.aspx>



Technology provider

Financial institutions can join existing ecosystems or create new ones to become technology providers by combining the strengths of core financial service capabilities with emerging technologies. For example, by integrating IoT technologies, banks can enable autonomous payments through smart appliances; for instance, a smart fridge could automatically order and pay for milk when supplies hit a certain predetermined level. Several such use cases exist in the living and wellbeing space, and some financial firms are generating new value by leveraging new technologies in the beyond banking space.

Case in point

- We are working with a leading UK bank for a new approach to therapy. The intent is to leverage virtual reality technologies to help children with locomotor disabilities, in turn creating a foundation for wellbeing and better living standards. Going forward, more such services can be introduced through the platform.⁶
- Given the uncertainties created by the pandemic, retirement planning has become even more complicated. To help people understand their retirement needs, DBS Hong Kong recently introduced Face Your Future, which leverages facial recognition and artificial intelligence (AI) to estimate costs based on the retirement lifestyle chosen.⁷

⁶ TCS, Barclays and TCS partner to Help Children with Locomotor Disabilities, Mar 2019, Accessed June 2020, <https://www.tcs.com/barclays-tcs-partner-help-children-with-locomotor-disabilities>

⁷ DBS, DBS Hong Kong changes face of retirement with Face Your Future innovation, June 2020, Accessed June 2020, https://www.dbs.com/newsroom/DBS_Hong_Kong_changes_face_of_retirement_with_Face_Your_Future_innovation



Disrupter

Ecosystems have the potential to disrupt industries. By building market-leading ecosystems, BFSI firms can become disruptors instead of leaving themselves open to disruption. In addition, BFSI firms can gain greater control over the ecosystem by leveraging technologies to provide higher value-adding services to customers. This means that in addition to aggregating the services, BFSI firms also own the business operations and interact with their customers through the end-to-end journey. Firms may consider building standalone online platforms and/or partnering with fintechs for cheaper and faster options.

Case in point

- Ant Financial is planning to offer its digital wallet and payment platform, Alipay, to third party service providers. The company aims to build a one-stop digital lifestyle platform with 40 million service providers from across sectors to deliver value to users, speed up digital transformation of the service sector, and create more growth opportunities.⁸
- Emirates NBD has launched Liv., a digital bank for millennials. Liv. aims to offer services designed around customers' lifestyle, education, finances, as well as mental and physical well-being. The bank has created an ecosystem that allows customers to achieve their lifestyle goal by providing insights driven spend patterns in real time.⁹
- ING Bank has launched an app, Invisible Tickets, to make life easier for people using public transport. The sensor based app automatically detects when consumers start a train journey and debits their bank account with the fare when they disembark at their destination. This eliminates the need for dedicated transport company cards, paper tickets, and cash payments besides enabling contact-free travel given the prevailing COVID-19 pandemic.¹⁰

⁸ Finextra, Alipay cites coronavirus as it looks beyond payments to era of 'digital lifestyle', Mar 2020, Accessed June 2020, <https://www.finextra.com/newsarticle/35433/alipay-cites-coronavirus-as-it-looks-beyond-payments-to-era-of-digital-lifestyle>

⁹ Emirates NBD, Emirates NBD launches Liv. digital banking proposition, Feb 2017, Accessed June 2020, https://www.emiratesnbd.com/en/media-centre/media-centre-info/?mcid_en=409

¹⁰ ING, Innovations that excite! Mar 2019, June 2020, <https://www.ing.com/Newsroom/News/Innovations-that-excite.htm>




Embracing Living and Wellbeing Propositions: What Firms Must Do

To drive a shift to the living and wellbeing model and unlock the potential of ecosystems, BFSI firms will need to embark on an end-to-end digital transformation journey and create a portfolio of services aimed at enhancing the wellbeing of customers. Jumpstarting the transformation will require firms to acquire some key capabilities, such as:¹¹

- Ecosystem fabric comprising marketplace setup and concept simulator – the future financial services ecosystem will be an open, digital platform that will sell services beyond core financial products, similar to ecommerce platforms like Amazon.com that graduated from selling books to a whole range of consumer goods.
- Digital core with application programming interface (API) capabilities to enable social and ecosystem partners to integrate with organizational systems, which will drive the move to an open API ecosystem; external developers too can leverage these APIs to create innovative applications.
- Data layer to build the IT infrastructure required to enable analytics, search, in-memory computing, demand supply forecasting, and predictive modelling.
- Banking and insurance core to enable IT systems integration with systems of records and engagement to operationalize the platform model.

¹¹ TCS, Reinventing Banking for the Platform Era, August 2018, Accessed June 2020, <https://www.tcs.com/reinventing-banking-for-the-platform-era>



The ongoing COVID-19 crisis has brought uncertainties and challenges; but it will provide new opportunities as well, especially in the digital space. BFSI firms will need to create more digital touchpoints with their customers across different living and wellbeing areas to expand their presence beyond regular banking and insurance services. Foraying into the living and wellbeing space will create opportunities to engage with customers in a more profound and meaningful manner. Firms that want to emerge as leaders in the post COVID-19 era must build ecosystems and play new roles to cater to living and wellbeing needs and position themselves as a partner to their customers in every sphere of life.

Contact

For more information on TCS' Banking & Financial Services,
please visit <https://www.tcs.com/banking-financial-services>

Email: <http://bfsi.marketing@tcs.com>

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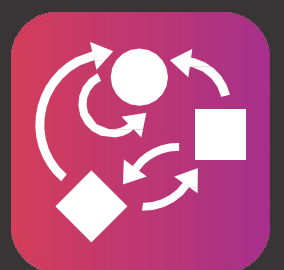
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